# 26TH ANNUAL REPORT
# 26e RAPPORT ANNUEL

1991

## THE ONTARIO MILK MARKETING BOARD

93-02737/

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*For additional copies of the 26th Annual Report of The Ontario Milk Marketing Board, contact the Communications and Planning Division, Ontario Milk Marketing Board, 6780 Campobello Rd., Mississauga, Ontario, L5N 2L8. Phone (416)821-8970. Supplement to the Ontario Milk Producer, February 1992.*

# Message from the Chairman of the Board

**John Core**

# Un Message du Président de L'Office

It would not be an exaggeration to say that the past year has probably been the most challenging since the Board's inception. And the year ahead promises to be just as hectic.

Everyone is aware of the battle that continues to be waged at GATT to preserve our supply management system. It would be a brave or foolhardy person who tries to forecast the outcome. At this very moment, the indications are that negotiations will drag on into 1992. Our resolve is still strong to ensure that Canada delivers on its commitment to our industry. Whatever emerges as the final deal - if a deal is indeed achieved - we must pull together to manage the future positively and effectively.

Many other significant challenges have been met during the past year.

We have participated in the development of a positive Dairy Task Force Report, the implementation of which is now being closely followed. An agreement has been reached with other provinces on the skim-off issue. A program has been put in place to improve the seasonality of milk supplies. Our fluid formula has been updated to meet the challenges of the 90's. A strategic plan has been put in place for the next five years. Work on multiple component pricing has progressed for an implementation date of January 1, 1992. Extensive discussions have been held and still continue with processors to resolve issues concerning milk supply allocation, and metering and sampling.

The support received by the Board from its staff and Milk Committees, as always, has been tremendous during this landmark year. The future is full of more challenges - and opportunities.

Together, we will succeed in maintaining a healthy, viable dairy industry in Ontario.

*Sans crainte d'exagérer, on peut affirmer que l'exercice terminé a probablement été le plus fertile en événements dans l'histoire de l'OMMB, et le prochain promet d'être tout aussi mouvementé.*

*Chacun sait que la bataille pour la préservation de notre système de gestion des approvisionnements continue de se livrer dans le cadre des négociations du GATT; bien imprudent celui qui tente d'en deviner l'issue. À l'heure actuelle, tout laisse croire que les pourparlers se prolongeront jusqu'en 1992. Nous usons de toute notre détermination pour encourager le Canada à respecter son engagement envers l'industrie. Quelle que soit l'entente finale, si bien sûr on en conclut une, nous devons tâcher d'aborder l'avenir de manière positive et efficace.*

*Plusieurs défis de taille ont été relevés pendant l'exercice écoulé.*

*Nous avons participé à l'élaboration du rapport du Groupe de travail sur la politique laitière, dont la mise en application est actuellement suivie de près. Un accord sur l'écrémage a été conclu avec les autres provinces. Un programme a été mis sur pied afin de réduire les variations saisonnières dans les approvisionnements de lait. On a révisé la formule relative au lait de consommation pour qu'elle soit mieux adaptée aux années 90. Un plan stratégique quinquennal a été établi. On est parvenu à fixer au 1er janvier 1992 l'établissement du paiement du lait en fonction de ses composants. Des pourparlers ont été engagés avec les transformateurs pour résoudre les questions de la répartition des approvisionnements et de l'échantillonnage, et de la mesure volumétrique.*

*L'OMMB a, comme toujours, bénéficié d'un soutien immense de la part de son personnel et des comités laitiers pendant cette année exceptionnelle. L'avenir nous réserve encore de nombreux défis et de nouvelles perspectives.*

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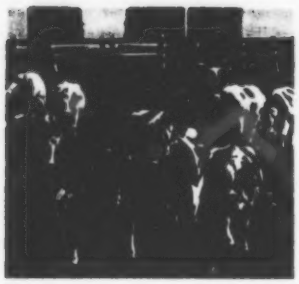


**Milk Production**

Improvement in Fall Milk Supply

The Board marketed 2.351 billion litres of milk during the past fiscal year. This level of marketings was some 11 million litres, or 0.5 per cent less than in the previous year.

Spurred on by the short-term seasonality program in place for the Fall of 1990 and by quota maintenance requirements under the seasonality program introduced for the Fall of 1991, further improvements in Fall milk supplies were evident. The fiscal year both began and ended with monthly marketings running at levels above the same months a year earlier. During the balance of the year, the marketing trend was negative. Monthly marketings were consistently lower than a year earlier from February to July, as producers adjusted and responded to the 6.0 per cent reduction in MSQ implemented during the previous fiscal year.

The average compositional content of all milk marketed in Ontario during the 1990/91 dairy year was 3.93 kilograms per hectolitre for butterfat (3.92 kg in 1989/90), 3.33 kg per hl for milk-protein (3.34 kg in 1989/90) and 5.74 kg per hl for other milk solids (5.77 kg in 1989/90).

**Supply Management**

National Skim-Off Agreement

During the past year, the most significant issues were the national agreement on skim-off and further reductions in MSQ.

The agreement on skim-off came after several months of intense discussions and negotiations. The negotiations centered on the provincial inequities associated with MSQ reductions originating from increased levels of fluid skim-off. The seven-point package which constitutes the agreement provides for:

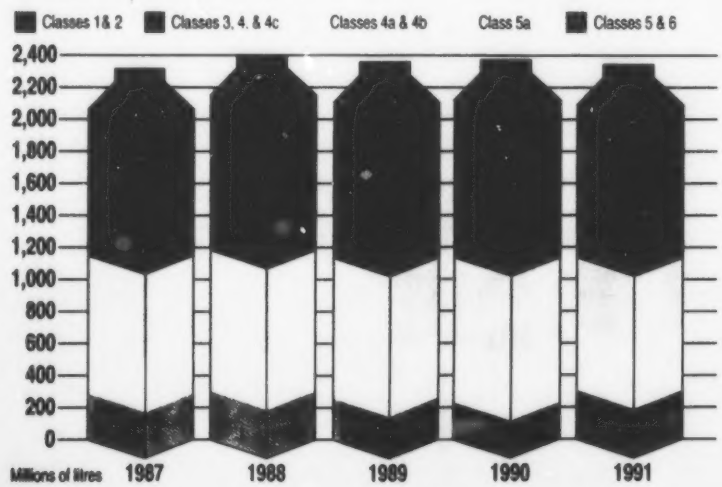
1. direct provincial accountability for future increases (changes) in skim-off originating from the fluid milk sector in each province;
2. limited waivers on provincial accountability for future increases in fluid skim-off for those provinces having a lower percentage of fluid skim-off to total fluid sales than the national 1990 average of 22.6 per cent, until such time as fluid skim-off within qualifying provinces reaches a level equivalent to 22.6 per cent of their 1990 fluid sales;
3. provincial sharing of the national levy bill for the supply management program on the basis of all milk to be phased in over three dairy years;
4. endorsement of the Dairy Bureau of Canada proposal to increase advertising and promotional efforts by $4.2 million through a $0.62 per hl provincial assessment on fluid skim-off;
5. increase of the MSQ sleeve from 3 per cent of the domestic requirements for industrial milk to 4 per cent to provide flexibility to provinces in dealing with quota reductions;
6. the establishment of a CMSMC Subcommittee to deal with issues of interprovincial harmonization and to develop a common policy framework for dealing with the adjustment problems facing the industry; and
7. a commitment to Nova Scotia to isolate that province from further national reductions in MSQ beyond August 1, 1993, if a national quota exchange is not in place by that time.

The first three elements of the skim-off agreement represent some very fundamental changes in the operation of the national supply management program. Direct accountability for changes in fluid skim-off means that individual provinces will, subject to point 2 of the agreement, be fully accountable for any changes in fluid skim-off through direct offsetting adjustments in their provincial MSQ. In the past, increases/decreases in fluid skim-off have been accounted for nationally with provinces sharing in the offsetting reductions/increases in MSQ in accordance with their provincial share of the national MSQ.

The shift in provincial levy assessments to all milk spreads the costs of the national supply management program over total milk production, lessening the burden on provincial industrial milk sectors. In the past, aside from the fluid skim-off levy, all levy costs associated with the supply management program have been assessed on industrial milk. The three-year phase-in to all milk provides for a 45 per cent weighting on all milk in determining provincial levy obligations for the 1991/92 dairy year with the remaining 55 per cent on the former basis of assessment. In 1992/93, 75 per cent of the weighting will be on all milk, 25 per cent on the former system. The phase-in will be completed in 1993/94 with provincial levy assessments being entirely based on all milk.

**Utilization of Ontario Milk Sold by the Ontario Milk Marketing Board, 1987-1991**

(fiscal year totals ending October 31)



**Production de lait**

***Meilleurs approvisionnements en automne***

*L'OMMB a mis en marché 2,351 milliards de litres de lait au cours de l'exercice écoulé, une diminution de 11 millions de litres, soit de 0.5 %, comparativement à l'année précédente.*

*Grâce au programme à court terme de désaisonnalisation mis en place pour l'automne 1990 et au niveau de maintien des quotas introduit dans le cadre du programme de l'automne 1991, les approvisionnements de lait pendant cette saison ont encore marqué une nette amélioration. Au début comme à la fin de l'exercice, les mises en marché mensuelles ont été supérieures à celles enregistrées pour les mêmes mois un an plus tôt. Cependant, la tendance a été négative pendant le reste de la période. Les mises en marché mensuelles sont demeurées, de février à juillet, à un niveau inférieur par rapport à l'année précédente, par suite de la réaction des producteurs à la réduction de 6 % des QMM intervenue au cours de l'exercice précédent.*

*La teneur moyenne du lait mis en marché en Ontario pendant la campagne laitière 1990-1991 a été, à l'hectolitre, de 3,93 kilogrammes de matières grasses (3,92 kg en 1989-1990), 3,33 kilogrammes de protéines (3,34 kg en 1989-1990) et 5,74 kilogrammes d'autres matières sèches (5,77 kg en 1989-1990).*

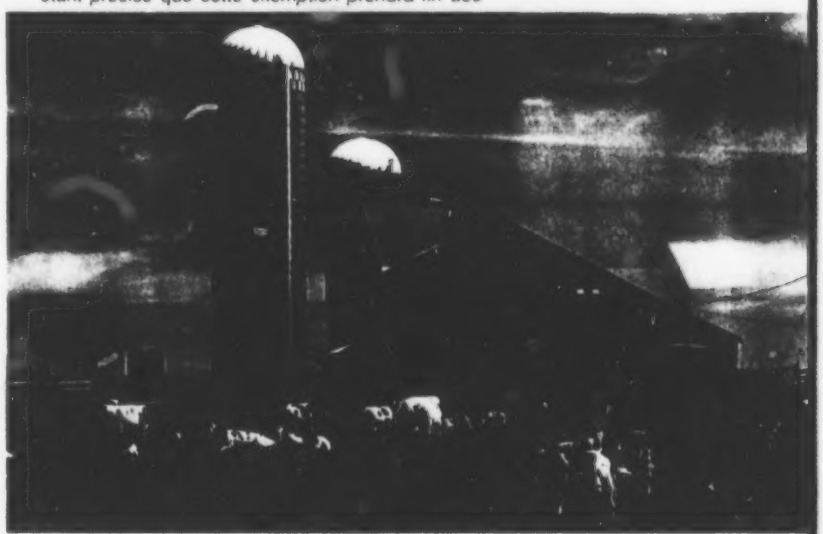
**Gestion des approvisionnements**

***Accord national sur l'écrémage***

*Les questions qui ont dominé l'exercice écoulé ont été l'accord national sur l'écrémage et les réductions supplémentaires des QMM.*

*L'accord sur l'écrémage a été conclu après plusieurs mois de discussions et de négociations laborieuses. Les disparités provinciales injustes, associées aux réductions de QMM déterminées par le plus fort niveau d'écrémage du lait de consommation, ont fait le principal objet des négociations. Les sept points de l'accord prévoient les mesures suivantes:*

1. *La responsabilité directe de chaque province pour les augmentations (variations) futures de l'écrémage déterminées par son secteur du lait de consommation;*
2. *Une exemption restreinte de responsabilité quant aux augmentations futures de l'écrémage du lait de consommation, pour les provinces où l'écrémage du lait de consommation constitue, sur le total des ventes de ce lait, une proportion inférieure à la moyenne nationale de 22,6 % enregistrée en 1990, étant précisé que cette exemption prendra fin dès que la province atteindra un niveau d'écrémage du lait de consommation égal à 22,6 % de ses ventes de ce lait en 1990;*
3. *Le partage entre les provinces, en fonction de toutes les classes de lait, du total national des coûts du programme de gestion des approvisionnements, partage qui sera instauré graduellement sur trois campagnes laitières;*
4. *L'adoption de la proposition du Bureau laitier du Canada, selon laquelle les sommes consacrées à la publicité et à la promotion seront augmentées de 4,2 M$ au moyen d'une cotisation provinciale de 0,62 $ l'hectolitre d'écrémage du lait de consommation;*
5. *Le passage de la marge de QMM, de 3 % à 4 % de la demande intérieure de lait de transformation, pour aider les provinces à faire face aux réductions de quota;*
6. *La création d'un sous-comité du CCGAL, qui traitera des questions d'harmonisation interprovinciale et jettera les bases d'une politique commune destinée à répondre aux problèmes d'adaptation que rencontre l'industrie; et*
7. *L'engagement envers la Nouvelle-Écosse de l'écarter des réductions nationales de QMM survenant après le 1er août 1993, si un marché national d'échange de quotas n'est pas mis en place d'ici cette date.*



*Les trois premiers éléments de l'accord sur l'écrémage apportent des modifications profondes au fonctionnement du programme national de gestion des*

**Total Annual Shipments Marketed by the Ontario Milk Marketing Board 1987-1991**

(fiscal year totals ending October 31)

| Millions of litres | |
|---|---|
| 1987 | 2,334 |
| 1988 | 2,402 |
| 1989 | 2,356 |
| 1990 | 2,362 |
| 1991 | 2,351 |

Because of a continuing drop in consumption, the national MSQ was reduced by 4.7 per cent effective August 1, 1991. Half of the reduction was to bring quota levels in line with requirements for the 1990/91 dairy year, with the balance of the reduction to provide for a further projected erosion of requirements in 1991/92.

The decline in requirements is attributed to falling butter consumption and increased skim-off originating from increased consumption of lower-fat milks and dairy products. These decreases in consumption of butterfat have been aggravated by a sluggish cheese market and lost dairy product sales to cross-border shopping.

**Target Returns and Industrial Milk Prices in Southern Ontario, 1982-1991**

(fiscal year Averages ending October 31)

In response to the 4.7 per cent reduction in the national MSQ, the Board reduced the MSQ held by individual producers by 2.5 per cent for the 1991/92 dairy year. The smaller reduction in Ontario takes account of the fact that MSQ will accumulate in the Provincial bank through the 15 per cent transfer assessment. Also, the Board decided not to refund any over-quota levies at the end of the dairy year.

Canadian industrial milk and cream marketings for the 1990/91 dairy year amounted to 45.76 million hl or 102.3 per cent of MSQ. Domestic requirements for the year came to 42.14 million hl, down 4.4 per cent compared to a year earlier. Exports of butter and whole milk products for the year totalled 4.33 million hl equivalent, up almost 50 per cent over the previous dairy year. CDC held butter stocks stood at 14.7 million kg at year end, down appreciably from the 17.8 million kg held at the end of the 1989/90 dairy year, due to the increased export activities of the Canadian Dairy Commission. However, year-end butter stocks were still some 4.7 million kg higher than the 10 million kg considered necessary to service the domestic market.

In Ontario, milk and cream producers shipped 51.658 million kg of butterfat in the 1990/91 dairy year, utilizing 103.2 per cent of the provincial MSQ. The average butterfat test on industrial milk was 3.92 kg per hl, .01 kg or 0.26 per cent greater than the previous year.

Ontario's share of the national subsidy entitlement for the dairy year was 47.15 million kg, or 94.2 per cent of the provincial MSQ. After year-end adjustment, Ontario milk producers received the direct payment on up to 94.83 per cent of their individual MSQ.

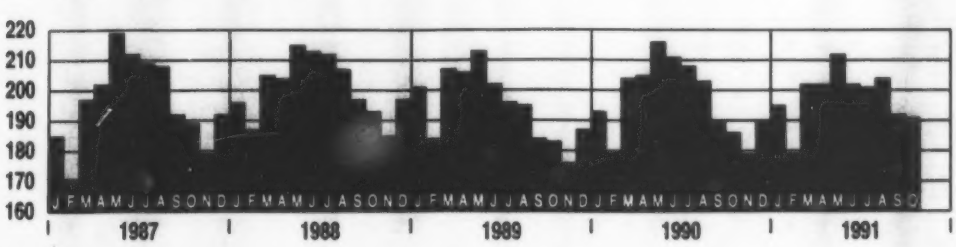
Ontario's levy obligations for the 1990/91 dairy year totaled $58.829 million. Board collections, at rates of $3.00 and $33.00 per hl for within and over MSQ and $0.4114 per hl on class 1 sales, amounted to $60.53 million. Out of this amount, $2.580 million was refunded on over-quota shipments to qualifying producers under the 1990/91 Fall seasonality program. Over-quota levies were refunded in October, 1991, with qualifying producers having levies refunded on the lesser of their over-quota shipments for the 1990/91 dairy year or the amount by which their industrial milk shipments in September through November, 1990 exceeded 26 per cent of the MSQ held at the beginning of the dairy year.

When the $7.207 million reserve available from the previous dairy year was taken into account, the Board was left with a reserve of $6.332 million after over-quota levy refunds for the 1990/91 seasonality program and after meeting CDC levy obligations for the dairy year. In establishing the provincial levies to be collected from producers for the 1991/92 dairy year, the Board committed $5 million of this reserve to lowering the levy rates on within-quota shipments to producers. The remaining $1.332 million represented an uncommitted reserve against future provincial levy obligations.

Provincial levy rates for the 1991/92 dairy year were established by the Board at $2.70 per hl for within

**Total Monthly Marketing of Ontario Milk Sold By the Ontario Milk Marketing Board, 1987 - 1991**

Millions of litres



*approvisionnements. En étant directement responsable des variations de l'écrémage du lait de consommation, chaque province devra, sous réserve du point nº 2 de l'accord, les assumer entièrement par un rajustement compensatoire direct de son QMM provincial. Par le passé, les augmentations ou les diminutions de l'écrémage du lait de consommation étaient prises en compte au niveau national, les provinces se partageant les réductions ou les augmentations de QMM correspondantes, en fonction de leur part du QMM national.*

*En faisant porter les prélèvements provinciaux sur toutes les classes de lait, on répartit les coûts du programme de gestion des approvisionnements sur l'ensemble de la production laitière, ce qui allège le fardeau pesant sur le secteur du lait de transformation. Avant la conclusion de l'accord, à l'exception du prélèvement sur l'écrémage du lait de consommation, les prélèvements destinés à défrayer ce programme frappaient uniquement le lait de transformation. Le passage graduel, sur une période de trois ans, à toutes les classes de lait prévoit une pondération de 45 % sur toutes les classes dans le calcul des engagements de prélèvements des provinces pour la campagne laitière 1991-1992, tandis que les 55 % restants seront calculés selon l'ancienne base. En 1992-1993, on calculera 75 % de la pondération en fonction de toutes les classes de lait, et 25 % d'après l'ancienne méthode. La période de transition prenant fin au cours de la campagne 1993-1994, les prélèvements provinciaux porteront par la suite entièrement sur toutes les classes de lait.*

*La baisse persistante de la consommation a nécessité une réduction de 4,7 % du QMM national en date du 1er août 1991. La moitié de cette réduction avait pour but d'aligner les quotas sur la demande de la campagne laitière 1990-1991; l'autre moitié a été opérée en prévision d'une autre diminution de la demande en 1991-1992.*

*L'érosion de la demande est imputable à la consommation décroissante de beurre et à l'augmentation de l'écrémage due à une plus grande consommation de lait et de produits laitiers allégés. Ces diminutions de la consommation de matières grasses ont été aggravées par la paresse du marché du fromage et par la perte de ventes de produits laitiers attribuable aux achats transfrontaliers.*

*En conséquence de la réduction de 4,7 % du QMM national, l'Office a réduit les QMM individuels de 2,5 % pour la campagne 1991-1992. La réduction est moins importante en Ontario du fait que les QMM s'accumuleront dans la banque provinciale grâce à la retenue de 15 % sur les transferts. L'Office a également décidé de n'effectuer aucun remboursement de prélèvements d'excédent de quota à la fin de la campagne laitière.*

*Dans l'ensemble du pays, les mises en marché de lait de transformation et de crème de la campagne 1990-1991 ont atteint 45,76 millions d'hectolitres, soit 102,3 du quota. La demande intérieure a été de 42,14 millions d'hectolitres, marquant une baisse de 4,4 % par rapport à l'an dernier. Les exportations de beurre et de produits de lait entier se sont élevées à 4,33 millions d'hectolitres en équivalents, une augmentation de presque 50 % en regard de la campagne laitière précédente. Les stocks de beurre de la Commission canadienne du lait étaient de 14,7 millions de kilogrammes en fin de campagne. Cette diminution considérable sur les 17,8 millions de kilogrammes que la CCL détenait à la fin de la campagne 1989-1990 est le résultat des efforts accrus de la Commission sur le marché des exportations.*

*Toutefois, les stocks de beurre en fin de campagne étaient encore d'environ 4,7 millions de kilogrammes supérieurs aux 10 millions de kilogrammes jugés nécessaires pour répondre à la demande intérieure.*

*En Ontario, les producteurs de lait et de crème ont livré 51,658 millions de kilogrammes de matières grasses au cours de la campagne laitière 1990-1991, ce qui représente 103,2 % du QMM provincial. Le taux moyen de M.G. du lait de transformation a été de 3,92 kg/hl, soit une hausse de 0,01 kg ou de 0,26 % comparativement à celui de l'année précédente.*

*Le niveau ouvrant droit aux subventions a été de 47,15 millions de kilogrammes pour l'Ontario, soit 94,2 % du QMM provincial. Après la régularisation de fin d'exercice, les producteurs de lait ontariens ont reçu une subvention maximale de 94,83 % de leur QMM individuel.*

*Les engagements de prélèvements de l'Ontario, pour la campagne laitière 1990-1991, se sont élevés à 58,829 M$. Les prélèvements de l'OMMB, à raison de taux provinciaux de 3 $ et de 33 $ l'hectolitre sur les livraisons intérieur-quota et en excédent de quota respectivement, et de 0,4114 $ l'hectolitre sur les ventes de classe 1, ont atteint 60,534 M$. Sur cette somme, 2,580 M$ ont été versés aux producteurs admissibles, au titre du programme de désaisonnalisation 1990-1991, en remboursement des prélèvements sur les livraisons excédentaires. Les prélèvements d'excédent de quota ont été remboursés en octobre 1991; les producteurs admissibles ont eu droit à un remboursement sur la*

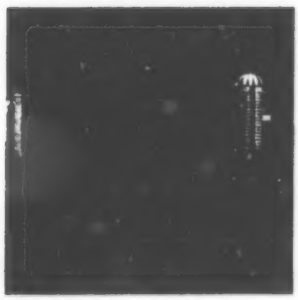
quota shipments under MSQ with the skim-off levy on Class 1 sales being set at $0.94 per hl versus $0.4114 per hl in the previous year. The $0.94 rate on Class 1 sales recognizes the butterfat contribution of fluid skim-off to the industrial milk market for manufactured dairy products within Ontario. The increase in levy stems from the higher provincial levy obligations the Board will be facing in 1991/92 and beyond, as a result of the national agreement on skim-off.

The provincial over-quota levy rate for the 1991/92 dairy year was established at the national rate of $37.53 per hl.

The table on this page sets out the changes in the level of Ontario's levies over the past five years.

**Ontario Producer Levy Rates**
**($ per hectolitre)**

| | August 1987 | August 1988 | August 1989 | August 1990 | August 1991 |
|---|---|---|---|---|---|
| Within-Quota Levy | 3.75 | 2.35 | 2.35 | 3.00 | 2.70 |
| Over-Quota Levy | 28.50 | 26.50 | 30.00 | 33.00 | 37.53 |
| Skim-off Levy On Class 1 Sales | 0.30 | 0.30 | 0.35 | 0.4114 | 0.94 |



### National Dairy Policy

#### Focus on Trade and the National Dairy Task Force

The 1989/90 year ended with two issues being predominant. Dairy producers were in the midst of a national lobby campaign, emphasizing the importance of Canadian Dairy Policy and Supply Management. This was part of the build-up to what was expected to be the end of the Uruguay Round of the GATT negotiations, in December, 1990. At the same time, the National Dairy Task Force had just begun the process of holding hearings across the country.

One year later, the parallels were striking. The GATT negotiations had been extended and again were building to a head as the fiscal year 1991 concluded. Also, the Dairy Task Force had completed its work with its recommendations having been released on May 31, 1991.

The Board played an active role in developing an Ontario dairy industry submission for the Task Force. This effort also involved participation from the processors, cream producers, and the provincial government. In addition, the Board prepared its own submission. Both were presented to the Dairy Task Force, at Guelph, in November 1990.

In total, the Dairy Task Force Report contained twenty-three recommendations. From a producer perspective, even though many recommendations represented a significant compromise, the report was endorsed *as a package*, because it was seen to be in the overall best interests of the industry.

One area the Task Force focussed on was greater transparency in the system as well as more participation by non-producer industry stakeholders in key areas. Examples where representation should be expanded included the Canadian Dairy Commission, its Consultative Committee, and the Canadian Milk Supply Management Committee. The Dairy Task Force also recommended the establishment of an independent appeals tribunal to rule on matters related to pricing.

Several issues had some urgency and had already been acted on by the end of the fiscal year. At the outset, finding a solution for the needs of further processors had been a top priority, involving the so-called frozen pizza issue. By the time the Task Force had completed its review, the scope of the problem extended well beyond frozen pizza. Many products contain dairy ingredients that faced competition from lower-priced imports. The Task Force recommendation was to create a rebate program to ensure the competitiveness of dairy inputs in further processed products. This program was to be 50 per cent funded by dairy farmers, 10 per cent by processors and 30 per cent by government. The 10 per cent short-fall would have to be absorbed by further processors. Mechanisms were put in place to collect the money from producers and processors. At the end of October, 1991, the government had not agreed to pay its share. This effectively stalled the program. However, efforts were continued to persuade the Federal Government to pay a share of the costs.

The Task Force was also very direct in its recognition of the need to strengthen and clarify GATT Article XI. It also recognized that operating a supply management system requires effective border controls. One area that was sensitive throughout the year was the issue of cross-border shopping. In the Spring, the Federal Minister of Agriculture released the cross-border study results for Northern Ontario. They confirmed what was already known – cross-border shopping was having a very serious impact on sales of fluid milk and dairy products.

The Board prepared a submission to the Ontario Standing Committee on Finance and Economic Affairs in April, when hearings were being held on cross-border shopping. The Board emphasized that the problem was not confined only to areas where studies had been conducted. Indeed, the cross-border problem was not just dairy related, but had an impact on the entire economy. While the Board challenged Canada's monetary policy and urged the government to increase its efforts, including rigorous enforcement of existing laws, it also made the point that effective

moins élevée des quantités suivantes: les livraisons excédentaires de la campagne 1990-1991, ou l'excédent des livraisons de lait de transformation de septembre à novembre 1990 sur 26 % du QMM détenu au début de la campagne laitière.

La réserve de 7,207 M$ de la campagne précédente ayant été prise en compte, l'OMMB s'est retrouvé avec une réserve de 6,332 M$ après les remboursements de prélèvements d'excédent de quota dans le cadre du programme de désaisonnalisation 1990-1991 et le paiement des engagements de prélèvements de la CCL pour la campagne laitière. En établissant le taux provincial des prélèvements pour la campagne 1991-1992, l'Office a affecté 5 M$ de cette réserve à la diminution des taux de prélèvement sur les livraisons intérieur-quota. Le solde de 1,332 M$ constitue une réserve non affectée, pour les engagements de prélèvements provinciaux futurs.

Pour la campagne laitière 1991-1992, l'Office a fixé le taux provincial des prélèvements à 2,70 $ l'hectolitre pour les livraisons intérieur-quota et, sur l'écrémage du lait de classe 1, à 0,94 $ l'hectolitre comparativement à 0,4114 $ l'hectolitre pour la campagne précédente. Ce taux de 0,94 $ sur les ventes de la classe 1 tient compte du fait que l'écrémage du lait de consommation contribue à la quantité de matières grasses sur le marché du lait de transformation de la province. La majoration du taux de prélèvement découle des engagements provinciaux de prélèvements plus élevés auxquels l'Office devra faire face à partir de la campagne 1991-1992 par suite de l'accord national sur l'écrémage.

Le taux provincial des prélèvements d'excédent de quota pour la campagne laitière 1991-1992 est le même que le taux national, soit 37,53 $ l'hectolitre.

Le tableau de la page 6 présente l'évolution des prélèvements de l'Ontario au cours des cinq dernières années.

### *Politique laitière nationale*

*Commerce et Groupe de travail sur la politique laitère nationale*

À la fin de la campagne de 1989-1990, deux questions dominaient l'industrie. Les producteurs laitiers étaient engagés dans une campagne nationale de pression pour faire ressortir l'importance de la politique laitière canadienne et de la gestion de l'offre. Cette campagne faisait partie de la publicité dont le point culminant devait coïncider avec l'aboutissement attendu de la ronde d'Uruguay des négociations du GATT, en décembre 1990. À cette époque, le Groupe de travail national sur la politique laitière venait tout juste de commencer à tenir des séances dans tout le pays.

Un an plus tard, les parallèles étaient frappants. Les négociations du GATT ayant été prolongées, elles étaient à leur plus fort à la fin de l'exercice 1991. De même, le Groupe de travail sur la politique laitière avait conclu ses travaux par la publication de ses recommandations le 31 mai 1991.

L'OMMB a joué un rôle actif dans l'élaboration du mémoire de l'industrie laitière ontarienne. Y ont également participé les transformateurs, les producteurs de crème et le gouvernement provincial. De plus, l'Office a produit son propre mémoire. Les deux mémoires ont été présentés au Groupe de travail à Guelph, en novembre 1990.

Le rapport déposé par le Groupe de travail sur la politique laitière renfermait 23 recommandations. Plusieurs recommandations présentaient des solutions de compromis, mais les producteurs ont souscrit au rapport dans son ensemble, parce qu'ils l'ont jugé être au mieux des intérêts de l'industrie.

| **Regulated Milk Prices By Class** * ($ per hectolitre) | Nov. 1 1990 | Nov. 1 1991 | Change $ | Change % |
|---|---|---|---|---|
| **Class 1:** | | | | |
| Fluid milk S. Ontario | 56.95 | 56.95 | - | - |
| Thunder Bay & N. Ontario | 58.24 | 58.24 | - | - |
| Kenora/Rainy River | 60.24 | 60.24 | - | - |
| **Class 2:** Concentrated liquid milk | 55.95 | 55.95 | - | - |
| **Class 3:** Fluid creams, cottage cream and yoghurts | 46.98 | 48.46 | +1.48 | +3.15 |
| **Class 4:** Ice cream mixes, puddings, confectionery products, soups and sterilized infant foods | 46.64 | 48.12 | +1.48 | +3.17 |
| **Class 4(a):** Specialty cheese | 44.47 | 45.75 | +1.28 | +2.88 |
| **Class 4(b):** Colby and brick cheese | 44.47 | 45.75 | +1.28 | +2.88 |
| **Class 4(c):** Sterilized milk for export | 46.64 | 48.12 | +1.48 | +3.17 |
| **Class 5:** Butter, casein, milk powder and evaporated milk | 42.33 | 43.56 | +1.23 | +2.91 |
| **Class 5(a):** Cheddar cheese | 42.76 | 43.99 | +1.23 | +2.88 |
| **Class 6:** New food products | 42.33 | 43.56 | +1.23 | +2.91 |

* Prices are based on milk testing 3.6 kilograms of fat per hectolitre

Le Groupe de travail a insisté sur une plus grande transparence du système, ainsi que sur une participation plus active des intervenants non producteurs dans les secteurs clés de l'industrie. Ces intervenants devraient être mieux représentés auprès des divers organismes, notamment la Commission canadienne du lait, son comité consultatif, et le Comité canadien de gestion des approvisionnements de lait. Le Groupe de travail a aussi recommandé la création d'un tribunal d'appel indépendant pour trancher les questions relatives à la fixation des prix.

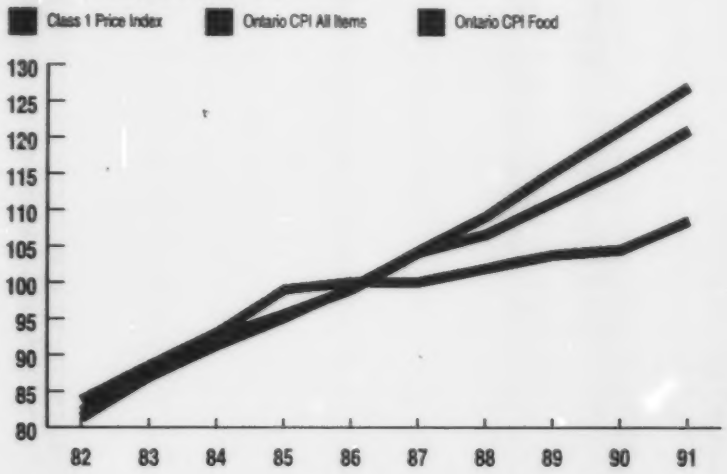
Divers sujets d'une certaine urgence avaient été traités avant la fin de l'exercice. Tout d'abord, il fallait trouver une solution aux besoins des transformateurs de second cycle, besoins auxquels se rattache la question de la pizza surgelée. Lorsque le Groupe de travail eut terminé

border controls were synonymous with supply management. Leakage of any magnitude could not be tolerated.

Among the other Task Force recommendations was the suggestion to review how import quotas were allocated. The responsibility for that undertaking was given to the Canadian Import Trade Tribunal. It held a preliminary hearing in October 1991. Further hearings will continue for some period of time and could have

**Class 1 Price Index vs Ontario CPI, 1986=100**

(fiscal year averages ending October 31)




significant consequences on how import quotas are issued and used. Dairy Farmers of Canada will play a very active role in the process.

While it is not possible on this occasion to review the entire set of Dairy Task Force recommendations, it is likely they have set the agenda for research and policy development for the foreseeable future.

In the case of industrial milk pricing, there was one significant development. The increase of $1.23 per hl, which was implemented on August 1, 1991, was achieved by increasing the support price for skim milk powder but with no increase in the support price for butter. A move in this direction had been recommended, but it was expected to be gradual. The Canadian Dairy Commission suggested that future changes to support prices may or may not reflect this allocation method. What it achieved on this occasion was to reduce the price of butter in real terms and shift greater value to solids-not-fat at a time when the structural surplus of skim milk powder was rapidly decreasing.

To oversee the implementation of the recommendations contained in both the Poultry and Dairy Task Force Reports, the Federal Minister of Agriculture established a committee. Chaired by the Federal Deputy Minister of Agriculture, the comm[illegible] includes all the Provincial Deputy Ministers [illegible] Agriculture, as well as producer and processor representatives from dairy and poultry, and a consumer representative. As indicated previously, progress has already begun in some areas. The purpose of this committee is to ensure that no momentum is lost with respect to implementing the package of recommendations.

During the fiscal year, the Canadian government decided to participate in the North American Free Trade Agreement (NAFTA) negotiations. This move presented some obvious concerns to the dairy industry, not the least of which were American intentions regarding supply management. In other words, would the U.S. use the tri-lateral negotiations to undermine Canadian dairy policy? That over-riding concern notwithstanding, dairy interests with respect to Mexico include maintaining market access for dairy cattle and semen. Mexico is also Canada's largest export market for skim milk powder.

After its major failure in December 1990, the Uruguay Round of GATT negotiations was extended. Very little progress was made in the Spring and Summer. However, in the Fall of 1991, a major initiative was launched to successfully complete the Round by the end of the year. Agriculture remained a key to success in the overall discussions. The US and the GATT secretariat, along with a more conciliatory EEC, were advancing a "tariffication" proposal. In its extreme, this included eliminating the supply management provisions in Article XI and converting all border control measures to tariff equivalents.

This approach remained totally unacceptable to Canadian dairy producers. As a result, October 1991 saw another major national lobby campaign. Its purpose was to ensure that the Canadian Government and its negotiators, in Geneva, did not deviate from the commitment to strengthen and clarify GATT Article XI.

As the fiscal year 1991 ended, the GATT negotiations loomed on the horizon, their likely conclusion only weeks away. The success or failure of the Uruguay Round will have a profound impact not only on the dairy sector but also on all of Canadian agriculture.

## Milk Pricing

### Industrial Price Increased

Producers received no increases in fluid (Classes 1 and 2) raw milk prices during the year under review. The last fluid increase took place in September, 1990. In the meantime, a considerable amount of time was devoted to reviewing and updating the formula used by the Board as a guide in its fluid milk pricing decisions. The purpose is to ensure that the formula will adequately reflect over time the amount of, and changes in, on-farm costs. As part of that review, consultations took place with representatives of government, processors and consumers.

At the national level, the Canadian Dairy Commission (CDC) announced an increase in the target price for industrial milk of $1.23 per hl effective August 1, 1991. The Board followed its customary practice in adjusting

son étude, l'ampleur du problème débordait largement la question de la pizza surgelée. Plusieurs produits renferment des ingrédients laitiers qui peuvent être importés à prix inférieur. Le Groupe de travail a recommandé de créer un programme de remise pour assurer la compétitivité des intrants laitiers dans la transformation de second cycle. Ce programme devait être financé à 50 % par les producteurs laitiers, 10 % par les transformateurs et 30 % par le gouvernement. Le déficit de 10 % devait être absorbé par les transformateurs de second cycle. Des mécanismes avaient été mis en place pour recueillir les fonds des producteurs et des transformateurs. À la fin d'octobre 1991, le gouvernement refusant de verser sa part, le programme était mis en veilleuse. Toutefois, des efforts ont été poursuivis pour convaincre le gouvernement fédéral d'assumer une part des coûts.

Le Groupe de travail a ouvertement reconnu la nécessité de renforcer et de clarifier l'article XI du GATT. Il a aussi reconnu que le bon fonctionnement d'un système de gestion de l'offre exige un contrôle efficace des importations. Les achats transfrontaliers ont été une source de préoccupations pendant tout l'exercice. Au printemps, le ministre fédéral de l'Agriculture a publié les résultats de l'étude menée dans le nord de l'Ontario sur la question. Ces résultats confirment ce que nous savions déjà... les achats transfrontaliers ont un très grave impact sur les ventes de lait de consommation et de produits laitiers.

L'OMMB a soumis son mémoire au Comité permanent des affaires économiques et financières en avril dernier, lors de la tenue d'auditions relativement aux achats transfrontaliers. L'Office a souligné que le problème ne touche pas seulement les régions où une étude a été menée, ni les seuls produits laitiers, mais que c'est toute l'économie qui s'en ressent. Bien que l'OMMB ait contesté la politique monétaire du Canada et exhorté le gouvernement à intensifier ses efforts en vue, entre autres, d'une application rigoureuse des lois, il a aussi fait ressortir que la gestion des approvisionnements ne va pas sans un contrôle efficace des importations. On ne saurait tolérer aucune dérogation, si minime soit-elle.

Dans une autre de ses recommandations, le Groupe de travail propose de réviser le mode d'attribution des quotas à l'importation. Cette tâche a été confiée au Tribunal canadien des importations, qui a tenu une audience préliminaire en octobre 1991. D'autres audiences auront lieu pendant un certain temps, et elles pourraient avoir de grandes répercussions sur l'attribution et l'utilisation des quotas à l'importation. La Fédération canadienne des producteurs de lait est appelée à jouer un rôle très actif dans le processus.

Quoiqu'il soit impossible de passer ici en revue toutes les recommandations du Groupe de travail sur la politique laitière, ce dernier a probablement établi un échéancier pour l'élaboration d'un programme de recherche et d'une politique dans un avenir prévisible.

En ce qui a trait à la fixation du prix du lait de transformation, un fait important est à signaler. La majoration de 1,23 $ l'hectolitre, entrée en vigueur le 1er août 1991, a été obtenue en augmentant le prix de soutien de la poudre de lait écrémé, tout en maintenant celui du beurre. Cette mesure avait été recommandée, mais on s'attendait à une majoration graduelle. La Commission canadienne du lait a laissé entendre que les modifications des prix de soutien ne refléteront pas nécessairement une telle répartition dans l'avenir. Cette fois-ci, on a en fait réduit le prix du beurre pour affecter une plus grande valeur à la matière sèche dégraissée, au moment même où l'excédent de poudre de lait écrémé décroissait rapidement.

Pour veiller à la mise en oeuvre des recommandations des rapports du Groupe de travail sur la politique laitière et de celui sur la politique avicole, le ministre fédéral de l'Agriculture a créé un comité dont il a confié la présidence à son sous-ministre. Les sous-ministres provinciaux de l'Agriculture siègent à ce comité, de même que des représentants des producteurs et des transformateurs des industries laitière et avicole et un représentant des consommateurs. Comme il a déjà été mentionné, des progrès se manifestent déjà dans certains secteurs. Ce comité a pour but de prévenir tout ralentissement dans la mise en oeuvre des recommandations.

Pendant l'exercice à l'étude, le gouvernement canadien a décidé de participer aux négociations sur l'accord nord-américain de libre-échange. Cette participation n'est pas sans occasionner des inquiétudes à l'industrie laitière, surtout en ce qui concerne les intentions des États-Unis quant à la gestion de l'offre. Autrement dit, est-ce que les États-Unis se serviraient des négociations trilatérales pour miner la politique laitière du Canada? Indépendamment de cette préoccupation primordiale, les enjeux comprennent, à l'égard du Mexique, l'accessibilité du marché des bovins laitiers et de la semence. Le Mexique est aussi le plus grand marché, d'exportation pour la poudre de lait écrémé du Canada.

Après avoir failli lamentablement en décembre 1990, la ronde d'Uruguay des négociations du GATT a été prolongée, mais on n'a vu que très peu de progrès au printemps et à l'été. Cependant, à l'automne 1991, une grande initiative a été lancée en vue d'un aboutissement heureux de cette ronde avant la fin de l'année. Dans l'ensemble, l'agriculture est demeurée une des clés de la réussite de ces délibérations. Les É.-U. et le secrétariat

**Per Cent of Total Quota Transferred**
**November-October 1990/91**

| | Type of Quota | |
|---|---|---|
| Method of Transfer | Group I Pool | MSQ |
| Quota Exchange | 2.83 % | 3.61% |
| Within-Family | 5.13 % | 5.13 % |
| On-going Operations | 0.33 % | 0.37 % |
| Total | 8.29 % | 9 11 % |

raw milk prices to processors to reflect the CDC's decision. The details are provided in the table on page 7.

Milk producers across Canada expressed disappointment – and this was shared by the Board – that the Commission's increase for industrial milk, amounting to a 2.5 per cent rise, fell short of the need embodied in the cost of production data. The latter indicated a rise of 3.1 per cent and had been recommended unanimously by the CDC's Consultative Committee. It is worth noting that with the above-mentioned increase for industrial milk, the target price has risen by only 7.4 per cent since 1986, while the Canadian Consumer Price Index has risen 26.0 per cent over the same period!

**Quotas and Quota Policy**

Long-Term Policy for Fall Milk Supplies

In the past year, 8.29 per cent of the total Group I Pool quota and 9.11 per cent of the total provincial MSQ was transferred. Similar to other years, 5.13 per cent of this was transferred within the immediate family, with most of the remainder being transferred over the Quota Exchange.

To increase the amount of milk marketed during the Fall months of 1991, the Board introduced a "Fall seasonality program" in the Southern Ontario Pool. Under this program, producers were encouraged to target their production to ship at least 45 per cent of their MSQ in the first six months of the dairy year (August to January). The 45 per cent "target" is subject to an 85 per cent maintenance requirement, meaning that producers are required to ship at least 38.25 per cent of their MSQ in the first six-month period. Producers who fail to meet the maintenance requirement will have their MSQ reduced by the amount that their butterfat shipments were below the 38.25 per cent level. The MSQ reduction will be temporary, and the amount of MSQ reduced will be reinstated for the producer's use starting the next dairy year. The Board also increased the Group I Pool quota maintenance requirement to 90 per cent in the Southern Ontario Pool, as a further incentive to increase Fall milk production.

For the past several years, producers in the Thunder Bay Pool have had their MSQ shipments covered by a specific amount of MSQ set aside for their use. In August, these producers were given individual MSQ allotments, which will cover shipments between their Class I sales and their Group I Pool quota. With this change, the quota policies in this Pool are now more closely aligned with the rest of the province.

A 15 per cent transfer assessment on Group I Pool quota transfers (excepting those within the immediate family) was introduced in the Northern Ontario Pool. The primary purpose for this move is to accumulate Group I Pool quota for removal from the system. Decreasing the level of Group I Pool quota will help slow the decline in the payout percentage in this Pool, which has suffered a loss of fluid sales due to poor economic conditions and cross-border shopping.

Fifty-eight producers participated in the fourth year of the five year cream-to-milk conversion program, operated jointly with the Ontario Cream Producers' Marketing Board.

**Milk Quality**

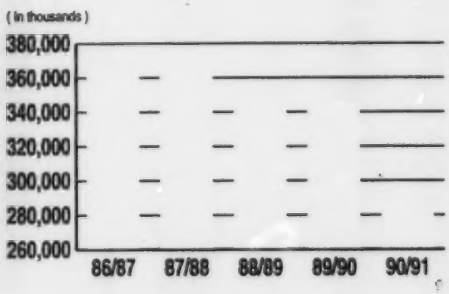
Continuing High Standards

Producers recognize that their farm premises and raw milk supply must meet rigid standards if they are to market a high quality product. In this regard, the milk quality penalty program, which continues to work very well, was actively reviewed during the year and is being tightened even further.

The somatic cell count penalty level was decreased from 750,000 to 700,000 on August 1, 1991, as part of a long-term program to have all herds in the province below 500,000 by 1995.

**Ontario SCC Trend**

( Provincial Average by Fiscal Year )




During the 1990 calendar year, 98.0 per cent of all counties/districts participated in the Milk Quality Recognition Program, with 25.5 per cent of the producers qualifying for a general certificate of merit and 9.6 per cent qualifying for a gold certificate.

**Producer Services**

Emphasizing Improved Efficiency

The Board is co-operating with the Dairy Inspection Branch in conducting an extensive producer survey to determine the impact on dairy farms of environmental issues. Between 250 and 350 producers will be surveyed during the latter part of 1991.

The Board is a founding member of the Ontario Farm Animal Council (OFAC) and continued to support its operations and activities through a grant of $20,000 and through representation on its Board of Directors. OFAC was established in 1988 to bridge the gap between farmers and consumers by informing the public about the care taken in modern animal agriculture and food production.

The Board continued to recognize that utilizing proven farm management practices allows producers

du GATT, ainsi qu'une CEE plus conciliante, ont proposé un régime tarifaire. À l'extrême, cette tarification comporterait la suppression des dispositions de l'article XI visant la gestion des approvisionnements, de même que la conversion en équivalents tarifaires de toutes les mesures de contrôle à l'importation.

Cette proposition demeurant tout à fait inacceptable pour les producteurs laitiers canadiens, une autre grande campagne nationale de pression s'est déroulée en octobre 1991. Elle avait pour but d'inciter le gouvernement canadien, et ses négociateurs à Genève, à ne pas s'écarter de son engagement de faire renforcer et clarifier l'article XI du GATT.

Comme l'exercice 1991 tirait à sa fin, les négociations du GATT, probablement à quelques semaines seulement de leur conclusion, dominaient encore l'horizon. La réussite ou l'échec de la ronde d'Uruguay aura de profondes répercussions non seulement sur l'industrie laitière, mais aussi sur tous les autres secteurs de l'agriculture canadienne.

### Établissement du prix du lait

#### Majoration du prix du lait de transformation

Les producteurs n'ont reçu aucune augmentation de prix du lait cru de consommation (classes 1 et 2) au cours de l'exercice à l'étude. La dernière augmentation du prix de ce lait remonte à septembre 1990. Depuis lors, l'OMMB a consacré beaucoup de temps à la révision de la formule le guidant dans la fixation des prix du lait de consommation. Le but recherché est d'arriver à une formule qui reflète suffisamment, sur une période donnée, le montant et l'évolution des frais d'exploitation. Cette revue a nécessité la consultation de représentants du gouvernement, des transformateurs et des consommateurs.

À l'échelon national, la Commission canadienne du lait (CCL) a augmenté de 1,23 $ l'hectolitre le prix d'objectif du lait de transformation, à partir du 1er août 1991. Comme à l'habitude, l'OMMB a rajusté en conséquence les prix de vente du lait cru aux transformateurs. Le tableau de la page 7 présente les détails.

Les producteurs laitiers du Canada ont exprimé leur désappointement — partagé d'ailleurs par l'Office — face à cette hausse de 2,5 % des prix du lait de transformation, car elle est déficitaire par rapport aux données sur les coûts de production. En effet, ces données justifiaient une hausse de 3,1 %, que le comité consultatif de la CCL avait du reste recommandée à l'unanimité. Il y a lieu de noter qu'avec la hausse susmentionnée, le prix d'objectif n'a augmenté que de 7,4 % depuis 1986, alors que l'indice des prix à la consommation a progressé de 26 % au cours de la même période!

### Quotas et politique de contingentement

#### Politique à long terme visant la production laitière d'automne

Pendant le dernier exercice, 8,29 % du quota du Pool de groupe 1 et 9,11 % du QMM provincial ont été transférés. Comme par les années passées, 5,13 % de ces transferts ont eu lieu entre membres de la même famille, tandis que la plupart des autres transferts ont été opérés sur le marché d'échange.

Pour faire augmenter les livraisons de lait pendant l'automne 1991, l'OMMB a lancé un programme de désaisonnalisation dans le Pool du sud de l'Ontario. Les producteurs ont été encouragés à planifier leur production de manière à livrer au moins 45 % de leur QMM au cours du premier semestre de la campagne laitière (août à janvier). Cet objectif de 45 % étant sous réserve d'une production minimale de 85 %, les producteurs doivent donc livrer au moins 38,25 % de leur QMM pendant le premier semestre. Ceux qui n'atteignent pas ce minimum verront leur QMM diminué de l'écart entre la quantité de matière grasse livrée et celle correspondant aux 38,25 %. La réduction du QMM sera temporaire; le QMM sera rétabli intégralement pour la campagne laitière suivante. L'Office a aussi porté à 90 % le niveau de production à maintenir du Pool de groupe 1 dans le Pool du sud de l'Ontario pour stimuler d'avantage la production d'automne.

Depuis quelques années, les livraisons au titre du QMM des producteurs du Pool de Thunder Bay sont couvertes par une quantité déterminée de QMM réservée à l'usage de ces producteurs. Ceux-ci ont reçu en août dernier un QMM individuel qui couvrira les livraisons entre les ventes de classe 1 et le quota du Pool de groupe 1. La politique de contingentement de ce Pool est donc maintenant davantage alignée sur celle pratiquée dans le reste de la province.

**Distribution of Licenced Milk Producers and Milk Volume by Average Daily Milk Shipment during September 1987 and September 1991**

| | Licenced Dairy Farms | | Volume | |
|---|---|---|---|---|
| Average Daily Shipment (litres) | 1987 % | 1991 % | 1987 % | 1991 % |
| 200 or less | 3.9 | 3.4 | 0.9 | 0.7 |
| 201 - 400 | 20.7 | 16.3 | 10.2 | 7.2 |
| 401 - 600 | 29.6 | 26.6 | 22.9 | 18.5 |
| 601 - 1,000 | 33.7 | 36.2 | 39.9 | 38.8 |
| 1,001 - 1,500 | 9.3 | 12.6 | 17.1 | 20.9 |
| 1,501 or more | 2.8 | 4.9 | 9.0 | 13.9 |

Une retenue de 15 % sur les transferts de quota du Pool de groupe 1 (à l'exception de ceux effectués entre membres de la même famille) a été imposée dans le Pool du nord de l'Ontario. Le but premier de cette retenue est l'accumulation de quota du Pool de groupe 1 à des fins de retrait. La diminution du quota du Pool de groupe 1 aura pour effet d'aider à freiner la chute du taux de récupération dans ce Pool, lequel a subi une perte de ventes de lait de consommation par suite du marasme économique et des achats transfrontaliers.

Cette année, 58 producteurs ont participé au programme quinquennal de conversion de la production de crème à celle du lait, en place pour la quatrième

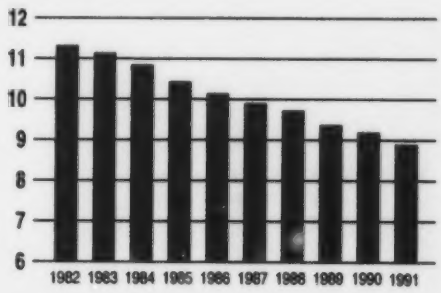
to produce milk as efficiently as possible. Toward this end, the three cents per hl contribu[illegible] in support of the Ontario Dairy Herd Improvement Corporation continued during 1991.

The Ontario Milk Producer Magazine was used extensively throughout the year as well, to inform producers of developments in farm management and agricultural research.

The Udder Health Management Program is the Board's most direct involvement in farm management activities. Three Udder Health Specialists are available on a fee-for-service basis to advise producers on proper milking techniques and to check milking equipment to ensure that it is functioning properly. The program, in its tenth year, was used by 381 producers over the November, 1990, to October, 1991, period.

**Number of Ontario Licenced Milk Producers as of September 1982-1991**

In thousands




## Producer Pools

### No Major Changes

There were 8,915 licenced milk producers in Ontario in October, 1991, compared to 9,117 a year earlier. A total of 570 producers (compared to 675 in the previous year) were issued new licenses in the past year: 372 through within-family transfers of quota at the same farms; 35 through the purchase of on-going operations; 58 through the transfer of cream to milk; 16 through transfers from the Quebec market and 89 establishing completely new operations.

A total of 93.3 per cent of producers held some Group I Pool quota, while 6.7 per cent held only MSQ.

In Southern Ontario, the percentage of Group I Pool shipments paid at top price varied from a high of 78.01 in November 1990, to a low of 70.95 in July 1991. The average payout for the year was 75.28 per cent, compared to 74.56 per cent a year ago.

The Graduated Entry Program, designed to allow qualifying industrial shippers a share of the top price fluid market continued in 1990/91 with 99 producers taking part. A total of 8,095 producers have taken advantage of the program since 1968.

## Milk and Cheese Marketing

### Reviewing Milk Supply Allocation

At year-end, the Board was marketing milk to 97 milk processing plants, a decrease of 10 compared to last year. There are now 38 fluid milk plants and 59 industrial milk plants/receiving stations, of which 50 are holders of plant supply quota.

The Board has become increasingly concerned about the increase in recent years in the amount of Class 5 utilization that escapes assignment to plant supply quotas. For the year ending July 31, 1991, this volume increased by 23 million litres or about 16 per cent, and contributed to increased butter production in Ontario at the expense of cheese production. The Board addressed this issue, in the short term, by placing limits on the amount of quota-free skim-off cream and quota-free skim milk that plants could put into Class 5 products. For the most part, such limits were the equivalent of such volumes for the year ending May 31, 1991. These limits became effective on August 1, 1991. A joint committee, composed of processor representatives and Board representatives, has been meeting regularly to deal with some of the longer term issues of milk allocation.

During the year, the volume of skim-off cream flowing from fluid milk to the industrial milk side of the industry has increased by about 6 million litres, or 10 per cent. At year-end, it is estimated that skim milk, 1% milk and 2% milk represented about 6.0 per cent, 6.0 per cent and 72.0 per cent, respectively, of the fluid milk market. The increased skim-off cream is having a significant impact on the volume of milk that is available to the quota plants. Cheese plants are impacted more than butter/powder plants because the latter have had available to them greater volumes of skim-off cream from which to make butter. Over the last two years, plant supply quotas have had to be reduced by 19.0 per cent.

As was reported in last year's annual report, an industry committee has been investigating the feasibility of processors purchasing raw milk supplies based on measurements and determinations obtained by volumetric metering and sampling systems installed in plants. On August 1, 1991, a project commenced whereby 15 plants are involved in a parallel trial run using in-plant meters and samplers. During the period of the project, the plants continue to be billed as they have been in the past, the only difference being a comparison can be made of the two systems for these 15 plants. At the end of the trial period, an evaluation will be made to determine the feasibility of such a system.

During the year, the Board's farm bulk tank calibration unit continued to operate. For the 12 months ending July 31, 1991, 738 farm bulk tanks were checked for calibration and new charts were made for those that were outside the calibration tolerance levels.

In August, 1991, the price of cheddar cheese on the Belleville Cheese Exchange increased by 15.4 cents per kg to $5.535 following the $1.23 per hl increase in

année et administré conjointement par l'OMMB et l'Office de mise en marché de la crème pour les producteurs de l'Ontario.

**Qualité du lait**

***Maintien de normes élevées***

Les producteurs reconnaissent que leurs locaux et leur production de lait cru doivent répondre à des normes rigoureuses pour livrer un produit de haute qualité. À cet égard, le programme de sanctions sur les comptes leucocytaires élevés, qui continue de donner d'excellents résultats, a été passé en revue au cours de l'exercice, et est en voie d'être renforcé.

Le niveau d'intervention a été abaissé de 750 000 à 700 000 cellules somatiques le 1er août dernier, dans le cadre d'un programme à long terme visant un compte inférieur à 500 000 pour tous les troupeaux de la province d'ici 1995.

Au cours de l'année civile 1990, 98 % de tous les comtés/districts ont participé au programme de reconnaissance de la qualité du lait; 25,5 % des producteurs ont mérité un certificat général et 9,6 %, un certificat d'or.

**Services aux producteurs**

***Accent mis sur une efficience accrue***

L'OMMB collabore avec la Direction de l'inspection des produits laitiers pour la conduite d'une enquête approfondie auprès des producteurs sur l'impact des questions environnementales sur les fermes laitières. De 250 à 350 producteurs y auront participé vers la fin de 1991.

L'Office est membre fondateur de l'Ontario Farm Animal Council (OFAC), et lui a conservé son soutien par une subvention de 20 000 $ et par la présence d'un représentant au sein du conseil d'administration de cet organisme. L'OFAC a été créé en 1988 pour combler le fossé qui sépare agriculteurs et consommateurs, en informant le public sur l'importance accordée aux soins dans l'élevage moderne et la production de denrées alimentaires.

L'OMMB a continué de préconiser les techniques de gestion éprouvées qui permettent aux exploitants de produire du lait avec autant d'efficience que possible. À cette fin, l'Office a encore versé en 1991 une contribution de 0,03 $/hl à la Société ontarienne pour l'amélioration du troupeau laitier.

La revue Ontario Milk Producer a été largement utilisée pendant l'exercice pour informer les producteurs de l'évolution des techniques de gestion et de la recherche agricole.

C'est par son Programme pour la santé du pis que l'OMMB participe le plus à la gestion des exploitations laitières. Trois spécialistes sont à la disposition des producteurs, moyennant honoraires, pour les conseiller sur les bonnes pratiques de traite et sur la vérification du matériel de traite. Pendant la période de novembre 1990 à octobre 1991, producteurs ont adhéré à ce programme, qui en est à sa dixième année.

**Pools des producteurs**

***Pas de grands changements***

En octobre 1991, l'Ontario comptait 8915 producteurs titulaires de permis, contre 9117 un an plus tôt. Au cours de l'exercice, 570 producteurs sont devenus titulaires d'un nouveau permis, en regard de 675 pour l'exercice précédent ; 372 d'entre eux sont devenus producteurs par le truchement de transferts de quota dans la famille et dans la même ferme, 35 par l'acquisition d'une exploitation en marche. Parmi les autres, 58 le sont devenus en passant de la production de la crème à celle du lait, 16 par transfert en provenance du Québec et 89 en fondant leur propre exploitation.

Sur l'ensemble des producteurs, 93,3 % détenaient des quotas du Pool de groupe 1, tandis que 6,7 % ne détenaient qu'un QMM.

Dans le sud de l'Ontario, le pourcentage des livraisons du Pool de groupe 1 payées au prix fort a varié d'un plafond de 78 en novembre 1990, à un plancher de 70,95 en 1991. En moyenne, le taux de récupération a été de 75,28 % pour l'exercice, comparé à 74,56 % il y a un an.

Le programme d'admission graduelle, qui permet aux producteurs de lait de transformation répondant aux conditions fixées d'obtenir une part du marché du lait de consommation au prix fort, s'est poursuivi en 1990-1991; 99 producteurs y ont participé. En tout, 8095 producteurs ont bénéficié de ce programme depuis 1968.

**Lait de transformation et fromage**

***Révision de la méthode de répartition des approvisionnements***

En fin d'exercice, l'OMMB desservait 104 usines, une diminution de 3 par rapport à l'exercice précédent. Sur ce nombre, 41 sont des usines traitant le lait de consommation et 63 sont des usines de transformation/stations de transfert, dont 53 détiennent un quota d'approvisionnement.

L'Office s'inquiète de plus en plus de l'augmentation croissante au cours des récentes années du volume de lait de classe 5 qui échappe au contingentement de l'approvisionnement des usines. Pendant l'exercice clos le 31 juillet 1991, ce volume a augmenté de 23 millions de litres, soit d'environ 16 %, contribuant ainsi à une plus grande production de beurre en Ontario au détriment de la production de fromage. Comme solution à court terme, l'OMMB a imposé des limites sur la quantité de crème non contingentée provenant de l'écrémage et sur la quantité de lait écrémé non contingenté que les usines peuvent utiliser dans la fabrication de produits de classe 5. En majeure partie, ces limites correspondaient aux volumes non contingentés de l'année qui s'est terminée le 31 mai 1991; elles sont en vigueur depuis le 1er août 1991. Un comité mixte formé de représentants des transformateurs et de l'OMMB s'est réuni périodiquement pour traiter de certaines des questions à long terme ayant trait à la répartition des approvisionnements.

Au cours de l'exercice, le volume de crème provenant de l'écrémage du lait de consommation et passant au

the target returns level for industrial milk. During the past year, the numbers of buyers and sellers on the Exchange have reached the point where there is usually only one seller offering cheese and one buyer on the Exchange. As a result, the industry proposed to the Farm Products Marketing Commission that the Exchange be discontinued. The Commission approved the proposal just prior to year-end.

In April, 1991, the Board sold the cheese warehouse in Belleville and is no longer in the cheese warehousing business.

**Transportation**

Cost Increases Continue

Consolidation of milk transportation continued in 1991, albeit at a slower pace than in previous years. The number of active milk transport companies declined from 107 to 104. Unfortunately, the efficiencies which normally accompany declining transporter numbers were more than offset by the declining number of processing plants. The closure of processing plants generally results in additional transportation costs as the closure necessitates hauling milk greater distances. During this past year, four fluid processing plants were closed which had previously received nearly 100 million litres of milk annually.

In order to minimize the effect of plant closures, as well as to improve overall transport efficiency levels, the Board has focused on improved truck routing under the Computer Assisted Routing program. To date, this program has reduced distances travelled by transporters by 95,500 kilometres per year or a saving of approximately $56,000 per year. In the longer term, the program is designed to assist transporters to improve their routes and efficiency.

During the past year, the Board has conducted an examination of the return on investment allowance for transporters. To better evaluate the level of return on investment paid to transporters, a study of the financial statements of 20 private transporters has been undertaken on behalf of the Board by a chartered accountant. When the study is completed, the Board will review the results and consider appropriate action.

In the 1990/91 fiscal year, the total cost of transporting milk was $54.94 million, which represents an increase of $3.42 million from the cost in the previous year. The Southern Ontario pool charge increased by $0.20 per hl to $2.27 per hl. The Northern Ontario pool charge increased by $0.30 per hl to $2.80, the Thunder Bay pool charge increased by $0.30 per hl to $2.20 and the Kenora/Rainy River pool charge increased by $0.35 per hl to $3.80.

The Board wishes to acknowledge the excellent service provided by its transport agents and the bulk milk grader/drivers. This year, in particular, the Board recognizes the transporters' cooperation in delivering the "Challenge of Achievement" book and producer cheques on a number of occasions.

**Communications and Planning**

Responding to GATT and other issues

Effective April, 1, 1991, the Communications and Planning Division was created within the organization. The new Division was the result of amalgamating the former Board/Industry Relations Division and the Director of Planning position.

Trade-related communications activities again were an important part of the work within the Division. Following the breakdown of GATT negotiations in December 1990, efforts were made to keep abreast of backroom discussions which continued to take place. By September 1991, it became clear that there was a need for a renewed lobby effort with federal Members of Parliament and Senior Ministers to reinforce the need for Canada to continue to press for a strengthened and clarified Article XI.

Toward this end, the Board played a key role in organizing the October 1 lobby meeting involving over 600 representatives of the Ontario Supply Management Marketing Boards. County Milk Committees were provided with information kits as resource materials for meetings they held with their respective Members of Parliament. All producers were also encouraged to offer their support for the strengthening and clarification of Article XI through a phone call and letter writing campaign to key Federal Cabinet Ministers.

The Board decided to become a founding member of the Ontario Agri-Food Education (OAFE) Inc. which held its inaugural meeting in September. A Board representative was elected to the Board of Directors of OAFE. This new organization will address how the agri-food sector can effectively co-ordinate its activities for the further development of the Agriculture in the Classroom program.

The Ontario Milk Producer continued to perform the role of being a key communication vehicle in providing important information to all milk producers. The magazine's objectives are :

- to inform milk producers of production, research, policy, trade, marketing and economic developments, as well as other issues of interest, to help improve the managerial abilities and understanding of the dairy industry generally.
- to inform other dairy industry segments about these developments through the wide readership of the magazine.

Strategic Planning activities centered on the finalization of the Strategic Plan. A second draft was presented to the Annual Meeting in January, 1991, with the final plan being approved by the Board following consideration of the comments and views expressed to the Board.

Priorities were established and responsibility for follow-up on the strategic objectives were assigned. At year-end, attention was being directed toward the development of action plans for following through on the objectives outlined in the Plan. Efforts were also being made to better co-ordinate the Strategic

secteur du lait de transformation a augmenté d'environ six millions de litres, soit de 10 %. En fin d'exercice, la part du lait écrémé, du lait 1 % et du lait 2 % dans le marché du lait de consommation était évaluée à approximativement 6 %, 6 % et 72 % respectivement. L'augmentation du volume de crème provenant de l'écrémage a une grande répercussion sur la quantité de lait livrable aux usines contingentées. Les fromageries sont plus touchées que les fabriques de beurre et de poudre de lait, car ces dernières ont disposé pour la fabrication du beurre de plus grands volumes de crème provenant de l'écrémage. Les quotas d'approvisionnement ont dû être diminués de 19 % au cours des deux dernières années.

Comme nous l'avons annoncé dans le rapport annuel précédent, un comité de l'industrie étudie la possibilité pour les transformateurs d'acheter du lait cru en mesures obtenues par des méthodes d'échantillonnage et de comptage volumétrique à l'usine même. Le 1er août 1991, un projet-pilote a été mis sur pied; 15 usines participent à un essai parallèle comportant l'utilisation de compteurs et d'échantillonneurs en usine. La facturation demeure la même pendant la durée de cet essai, sauf qu'il est possible de comparer les deux systèmes pour ces 15 usines. L'évaluation qui suivra permettra d'établir la faisabilité de ce système.

Pendant l'année, l'Office a maintenu son service d'étalonnage des bassins de vrac. Au cours de la période de 12 mois qui s'est terminée le 31 juillet 1991, l'étalonnage de 738 bassins a été vérifié et, dans le cas des écarts dépassant le niveau admissible, une nouvelle table de référence a été dressée.

En août 1991, le prix du cheddar sur le marché de fromage (Cheese Exchange) de Belleville a augmenté de 0,154 $/kg pour se situer à 5,535 $ à la suite de la hausse de 1,23 $/hl des revenus d'objectif pour le lait de transformation. Le nombre d'acheteurs et de vendeurs a diminué pendant l'année, au point où il n'y a habituellement qu'un seul vendeur et un seul acheteur à chaque séance. L'industrie a donc proposé à la Commission de commercialisation des produits agricoles d'abandonner ce marché, proposition que celle-ci a acceptée juste avant la fin de l'exercice.

L'OMMB a vendu l'entrepôt de fromage de Belleville en avril 1991 et n'est plus actif dans ce secteur.

### Transport

#### Augmentation constante des coûts

La consolidation des entreprises de transport du lait s'est poursuivie en 1991, bien qu'à un rythme moins rapide que pendant les années précédentes. Le nombre de ces entreprises en activité a baissé de 107 à 104. La diminution du nombre de transporteurs s'accompagne normalement d'un meilleur rendement mais malheureusement, les gains ont été annulés par la diminution du nombre d'usines de transformation. La fermeture d'usines entraîne généralement une hausse des coûts de transport, du fait qu'il faut acheminer le lait sur de plus grandes distances. Au cours de l'année, quatre usines de traitement du lait de consommation ont fermé leurs portes; elles recevaient près de 100 millions de litres de lait par année.

Pour réduire au minimum l'effet des fermetures d'usines, ainsi que pour améliorer le rendement global des transporteurs, l'Office a créé un programme de traçage d'itinéraires assisté par ordinateur. À ce jour, ce programme a permis une réduction annuelle de 95 500 kilomètres des distances parcourues, soit une économie d'environ 60 000 $ par année. Le but à long terme du programme est d'aider les transporteurs à améliorer leurs itinéraires et leur rendement.

L'Office a procédé au cours de l'année à un examen du rendement des investissements des transporteurs. Pour mieux évaluer ce rendement d'après les revenus qui leur sont versés, l'Office a chargé un comptable agréé d'étudier les états financiers de 20 transporteurs privés. Quand cette étude sera terminée, l'Office envisagera les mesures à prendre après avoir pris connaissance des résultats.

**Transportation Expense in Five Year Review**

| Year-End October | Transportation Expense ($ millions) | Per Cent Change Increase (Decrease) | Ontario Consumer Price Index |
|---|---|---|---|
| 1991 | 54.94 | 6.64 | 4.9 |
| 1990 | 51.52 | 5.21 | 5.0 |
| 1989 | 48.97 | 4.42 | 5.7 |
| 1988 | 46.90 | (1.66) | 4.6 |
| 1987 | 47.69 | 1.22 | 5.1 |

Pour l'exercice 1990-1991, le coût global de transport du lait a été de 54,94 millions de dollars, marquant une hausse de 3,42 millions de dollars par rapport à celui de l'exercice précédent. Les frais de transport ont augmenté dans tous les Pools, comme suit: Pool du sud de l'Ontario, de 0,20 $/hl pour passer à 2,27 $; Pool du nord de l'Ontario, de 0,30 $/hl pour se fixer à 2,80 $; Pool de Thunder Bay, de 0,30 $/hl pour atteindre 2,20 $; Pool de Kenora/Rainy River, de 0,35 $/hl pour s'établir à 3,80 $.

L'OMMB tient à souligner l'excellence des services de ses agents de transport et des conducteurs-classeurs du lait de vrac. Cette année, l'Office est particulièrement reconnaissant aux transporteurs de leur collaboration pour la distribution du livre Challenge of Achievement et, à plusieurs reprises, des chèques aux producteurs.

### Communication et planification

#### Le GATT et autres questions d'intérêt

L'OMMB a créé, le 1er avril 1991, la division des communications et de la planification, qui remplace la division des relations de l'Office avec l'industrie et le poste de directeur de la planification.

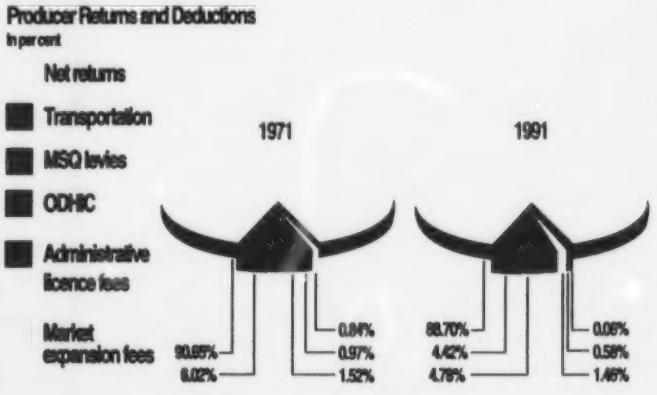
Cette année encore, les communications reliées au

Planning process (with the development of Annual Division Plans and the Operating Budget), into one Board Plan for 1991-92. This Board Annual Plan will serve to direct more efficient use of the organization's resources in the coming year.

Multiple Component Pricing (MCP) again received on-going attention as plans were further developed for its implementation in Ontario. A submission was made to the Advisory Committees for Milk and Cheese in May. Following that meeting, the Board decided to change the implementation date from its previously announced target of August 1, 1991, to January 1, 1992.

An Industry Working Group was established to address the outstanding issues identified by processors. Representation on the Working Group included personnel representing processors, the Farm Products Marketing Commission, OMAF, and the Board. The need to develop a Memorandum of Understanding outlining the details of how MCP will be implemented was recognized. This Memorandum will be finalized in preparation for the implementation of MCP in January, 1992.

Board representatives again played a leading role in helping to organize the 3rd Ontario Dairy Producer Organizations Conference in November, 1990, to further expand on earlier initiatives which had been started. The theme of the 1990 Conference was "Responding to the Marketplace of the 90's". After




presentations from various industry players, including processor and consumer representatives, the Conference concentrated on MCP. Specifically, agreement was reached on the breeding strategy which should be adopted in response to component pricing. A.I. organizations and breed associations have since been promoting this strategy to their membership.

Research support over the past year was directed toward the Research Chair in Dairy Science, a Grants-In-Aid program at the University of Guelph and several individual projects in response to specific needs.

Board representatives were also involved in several consultation processes to help determine the future direction that agricultural research should be taking at both the provincial and federal levels.

The first of these opportunities was a workshop organized by the Agricultural Research Institute of Ontario (ARIO) in March. This was one of several such meetings held across the province. The purpose of these workshops was to provide input into the development of a long-term strategy for agri-food research in Ontario.

At the national level, Board personnel participated in a Conference convened by the Canadian Agricultural Research Council (CARC) to focus on national, industry-wide priorities and technology transfer. This Conference was attended by 365 industry representatives and scientists from a wide spectrum of the agri-food industry. Workshops discussed priorities under three strategic themes: competitiveness, environmental responsibility; and, food quality and safety.

As follow-up to the CARC Conference, further consultation meetings were held in the Fall to provide another opportunity for input into an Action Plan for future research directions. It was anticipated that a final strategy would be published by early 1992.

**Market Expansion Activities**

Rising Fluid Milk Sales

In the face of several adverse market factors, including an economic recession, the Board is very pleased to report that, in the financial year under review, the sales of fluid milk in Ontario increased by 0.78 per cent.

The Board believes that its advertising and promotion programs have played a significant role in achieving this increase in fluid milk sales. Over half of the Board's fluid milk promotion budget of $10.2 million was spent on mass media, including TV advertising. Specific groups of the Province's population continued to be targeted, including selected markets such as "out-of-home" and "ingredient". Also, an extensive communications program on nutrition was maintained.

As a matter of course, the Board's Product Promotion Division capitalizes on and expands successful programs within each target group of the population while adjusting and developing new programs to meet changes in market circumstances or in consumers' attitudes. This continuous process of change is made possible because of appropriate research expenditures in all facets of the advertising and promotion programs. Further details of such programs are provided in the special section towards the end of this Annual Report.

With regard to the Dairy Bureau of Canada, milk producers in Ontario contributed $7.74 million towards the Bureau's budget of $ 28.58 million in 1990/91. The Bureau uses these dollars to conduct promotional

commerce ont occupé une grande place dans les activités de la nouvelle division. Après l'impasse des négociations du GATT en décembre 1990, la division a cherché à se tenir au courant des pourparlers qui ont continué en coulisse. Dès septembre 1991, il était évident qu'il fallait renouveler les efforts de pression auprès des députés et des ministres fédéraux pour mieux les convaincre de la nécessité pour le Canada d'insister sur le renforcement et la clarification de l'article XI.

À cette fin, l'Office a joué un rôle prépondérant dans l'organisation de la réunion de pression du 1er octobre, à laquelle ont participé plus de 600 représentants des offices de gestion des approvisionnements de l'Ontario. Les comités laitiers de comté ont reçu un dossier de documentation pour préparer leurs rencontres avec leurs députés respectifs. L'Office a aussi encouragé tous les producteurs à manifester leur appui au renforcement et à la clarification de l'article XI, en participant à la campagne d'appels et de lettres auprès des ministres fédéraux concernés.

L'Office a décidé d'être un des membres fondateurs de l'Ontario Agri-Food Education (OAFE) Inc. qui a tenu son assemblée inaugurale en septembre. Un représentant de l'OMMB a été élu au conseil d'administration de l'OAFE. Cette nouvelle société cherchera par quels moyens le secteur agro-alimentaire peut coordonner de ses activités en vue de perfectionner le programme "L'Agriculture dans la salle de classe".

La revue Ontario Milk Producer conserve son rôle de grand organe d'information pour les producteurs. Les objectifs de la revue sont :

- Informer les exploitants sur l'évolution de la production, de la recherche, des politiques, du commerce, du marketing et de l'économie, ainsi que sur d'autres questions d'intérêt, pour les aider à améliorer leurs connaissances de la gestion et leur compréhension de l'industrie laitière en général.
- Informer les autres secteurs de l'industrie laitière sur ces sujets, par la grande diffusion de la revue.

Les activités entreprises dans le domaine de la planification ont surtout porté sur la mise au point du plan stratégique. Une seconde ébauche du plan a été présentée à l'assemblée annuelle en janvier 1991, et l'Office a adopté la version définitive après étude des observations qui lui ont été faites à cette occasion.

L'ordre de priorité et la responsabilité du suivi des objectifs stratégiques ont été établis. En fin d'exercice, l'Office a porté son attention sur l'élaboration de plans d'action pour assurer la réalisation des objectifs. Il a aussi cherché à mieux coordonner le processus de planification de la stratégie (avec l'élaboration des plans annuels des divisions et avec le budget de fonctionnement) de manière à n'avoir qu'un seul plan pour 1991-1992. Ce plan annuel de l'Office permettra une utilisation plus rationnelle de ses ressources pendant l'année à venir.

Le paiement du lait en fonction de ses composants (PLC) a encore retenu l'attention; les plans ont été perfectionnés en vue de sa mise en application en Ontario. En mai, l'OMMB a présenté un mémoire aux comités consultatifs sur le lait et le fromage, pour ensuite décider de reporter la mise en application au 1er janvier 1992; elle était auparavant prévue pour le 1er août 1991.

Un groupe de travail de l'industrie a été mis sur pied pour traiter les questions relevées par les transformateurs. Ce groupe comprend, outre les représentants des transformateurs, ceux de la Commission de commercialisation des produits agricoles, du MAAO et de l'Office. La nécessité d'un protocole d'entente sur les détails de la mise en application du PLC a été reconnue. La version définitive sera prête pour la mise à effet du PLC en janvier 1992.

Des représentants de l'OMMB ont également participé à plusieurs consultations devant servir à l'orientation de la recherche agricole aux niveaux provincial et fédéral.

La première consultation a eu lieu dans le cadre d'un atelier organisé par l'Institut de recherches agricoles de l'Ontario (IRAO) en mars. Plusieurs séances de ce genre ont eu lieu dans toute la province. Les ateliers avaient pour but de recueillir des idées en vue de l'élaboration d'un plan à long terme pour la recherche agro-alimentaire en Ontario.

Sur le plan national, des membres du personnel de l'Office ont participé à une conférence du Conseil de recherches agricoles du Canada (CRAC). Cette conférence, qui réunissait 365 représentants de l'industrie agro-alimentaire et scientifiques venus d'un grand nombre de secteurs, a porté sur le transfert des technologies et sur les priorités de l'industrie dans tout le pays.

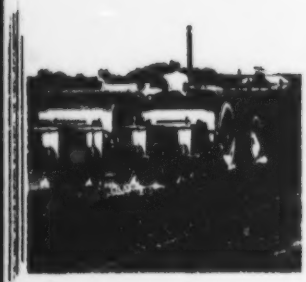
### Expansion du marché

*Augmentation des ventes de lait de consommation*

L'OMMB est heureux d'annoncer qu'en dépit de plusieurs facteurs défavorables du marché, y compris la récession, les ventes de lait de consommation en Ontario ont augmenté de 0,78 % au cours de l'exercice à l'étude.

L'Office est d'avis que ses programmes de publicité et de promotion ont joué un rôle important pour arrêter le fléchissement des ventes de lait de consommation. Plus de la moitié du budget de 10,2 M$ de l'OMMB pour la promotion de ce lait a été consacrée aux médias de masse, dont la publicité télévisée. Celle-ci a encore visé certains groupes de la population, y compris des créneaux choisis tels que les repas pris à l'extérieur et les ingrédients laitiers. De même, l'ambitieux programme de communication sur la nutrition s'est poursuivi.

Il va de soi que pour chaque groupe-cible, la division de la promotion des produits capitalise sur les programmes réussis et les élargit, tout en améliorant d'autres programmes et en en créant de nouveaux pour répondre aux changements survenant dans les conditions du marché et/ou les attitudes des consommateurs. Cette adaptation constante est possible grâce aux fortes sommes consacrées à l'étude de toutes les facettes de ces programmes. On trouvera de plus amples renseignements sur les programmes publicitaires et promotionnels sous une rubrique spéciale à la fin du présent rapport.



programs for dairy products, especially butter and cheese, on a national basis.

The Bureau continued to employ numerous marketing programs, in addition to mass media advertising, in its promotion efforts. The special section later on gives further information on the Bureau's activities.

As reported last year, the growing trend towards the consumption of lower fat products by Canadian consumers continued. This adverse factor had a continuing and depressing effect on the consumption of butter in particular, but a softening in full-fat cheese uptake became noteworthy too. This worldwide trend poses big challenges for dairy industries and makes it imperative that Canadian milk producers support extensive promotion campaigns for dairy products in an effort to maintain their size of industry.

**Producer Licence Fees**

Administration Fee Increases

A summary of deductions made over the past five years to cover administration, promotion, the Dairy Science Chair and the contribution to the Ontario Dairy Herd Improvement (Ontario DHI) is provided in a table on page 19.

The increase in Administration Fees includes costs incurred in the purchase of fixed assets. It is also worth noting that the four cent increase for administration for 1990/91 was not caused by an increase in administrative costs but was due in large measure to a decline in income from items such as interest revenue.

**Information Systems**

Upgrading Facilities and Service

During the past year, the OMMB upgraded its mainframe computer. This improvement has several advantages. First, it has allowed the Board to centralize all its systems on one computer, thereby resulting in substantial cost savings. Second, the additional power has allowed for the efficient development and implementation of new Board policy such as Seasonality and Multiple Component Pricing (MCP). A new producer statement was implemented in August.

Ongoing throughout the year has been a major project to improve the computer programs that support many of the Board operations. The key objective of the project is to provide the Board's Divisions, and ultimately milk producers, with timely, efficient access to their information at a reduced ongoing maintenance cost. This will be achieved by employing state-of-the-art programming tools and techniques, and by providing users of the Board's computer system with better access to information. This project will continue into the coming fiscal year.

**The Board and Its Staff -**

One New Board Member Elected

There was one change in the membership of the Board in the year under review. In elections conducted by the Ontario Farm Products Marketing Commission, Mr. Fred Healey (Region 3) became a new Member of the Board. Messrs. Peter Oosterhoff (Region 7) and Bruce Saunders (Region 11) were each returned unopposed to the Board. Each of the above Members will serve on the Board for a term of four years commencing January, 1991.

For the first time since its inception, the Board was obliged in the Fall of 1991 to conduct the elections for Members of the Board. Previously, that responsibility had been carried by the Ontario Farm Products Marketing Commission.

During the past year, the Board held meetings each month, occupying a total of 33 days. Board Members also spent numerous days attending various committee meetings, as well as maintaining contact with local Milk Committees, producers and industry organizations.

At year end, there were 115 people on the Board's permanent staff, with 86 located at head office, including four regional marketing staff.

On behalf of milk producers, the Board extends its thanks to all staff members for their efforts in support of producers.

Members of all the County and District Milk Committees provided their customary input and assistance, for which the Board is very grateful.

In conclusion, the Board expresses its thanks for the advice, support and co-operation provided by all sectors of the dairy industry, including Government and University personnel.

Signed on behalf of the Board,

John Core
Chairman

Harry Parker
Secretary to the Board

Quant au Bureau laitier du Canada les producteurs laitiers ontariens ont contribué pour 7,74 M$ à son budget de 28,58 M$ en 1990-1991. Le Bureau dirige des programmes promotionnels pour les produits laitiers, notamment le beurre et le fromage, à l'échelle nationale.

Le Bureau a maintenu plusieurs programmes de marketing, en plus de la publicité dans les médias de masse, pour soutenir la promotion. Les activités du Bureau sont détaillées plus loin sous une rubrique spéciale.

Comme on l'a mentionné dans le rapport annuel l'an dernier, la tendance vers la consommation de produits allégés va croissant au Canada. Ce facteur défavorable continue de faire baisser la consommation de beurre en particulier, mais il a aussi commencé à affaiblir la consommation du fromage non allégé. Cette réalité d'étendue mondiale pose de grands défis à l'industrie laitière et exige de la part des producteurs de lait canadiens un appui inconditionnel aux grandes campagnes de promotion qui sont menées pour maintenir l'envergure de leur industrie.

***Droits d'acquisition des permis de production***
***Hausse des frais d'administration***

On trouvera en page 19 un tableau quinquennal des retenues effectuées pour couvrir les frais d'administration et de promotion, le financement de la chaire des sciences du lait, ainsi que la contribution à la Société ontarienne pour l'amélioration du troupeau laitier (ODHIC).

L'augmentation des droits pour l'administration comprend les frais d'acquisition d'immobilisations. Il y a aussi lieu de mentionner que l'augmentation de 4 % pour l'administration de 1990-1991 n'est pas imputable à un accroissement des frais administratifs, mais bien, en majeure partie, à une baisse de revenus à des postes tels que les intérêts créditeurs.

***Informatique***
***Amélioration des installations et du service***

Au cours de l'exercice, l'OMMB a apporté à l'unité principale de son système informatique des améliorations dont les avantages sont nombreux. D'une part, elles ont permis à l'Office de centraliser tous ses systèmes dans un seul ordinateur et de réaliser ainsi de grandes économies. D'autre part, le supplément de puissance a rendu possible l'élaboration et la mise en application de nouvelles politiques, telles que la désaisonnalisation et le paiement du lait en fonction de ses composants (PLC). Pour les producteurs, un nouveau relevé a été introduit en août.

Un grand projet, dont la réalisation s'est poursuivie tout au long de l'exercice, a été l'amélioration des programmes informatiques sur lesquels s'appuient plusieurs des activités de l'OMMB. Le principal objectif de ce projet est d'assurer aux divisions de l'Office et, en fin de compte, aux producteurs de lait, une accessibilité ponctuelle et efficace à leurs données tout en réduisant les frais courants de maintenance. Pour y arriver, on emploiera les techniques et les outils de programmation les plus perfectionnés et facilitera aux utilisateurs du système l'accessibilité à l'information.

**Producer Deductions**

| ¢ per hl | 1987 | 1988 | 1989 | 1990 | 1991 |
|---|---|---|---|---|---|
| Administration | 22.0 | 23.0 | 25.0 | 27.0 | 31.0 |
| Dairy Science Chair | - | 0.5 | 0.5 | - | - |
| Market Expansion | 67.0 | 65.5 | 70.0 | 75.5 | 76.0 |
| Ontario DHI | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Total | 92.0 | 92.0 | 98.5 | 105.5 | 110.0 |

***L'OMMB et son personnel —***
***Élection d'un nouveau membre***

Au cours de l'exercice écoulé, il y a eu un seul changement au sein des membres de l'OMMB. Lors des élections tenues par la Commission de commercialisation des produits agricoles de l'Ontario, M. Fred Healey (région 3) est devenu membre de l'Office. MM. Peter Oosterhoff (région 7) et Bruce Saunders (région 11) ont été réélus sans opposition. Le mandat de ces membres est d'une durée de quatre ans à partir de janvier 1991.

À l'automne 1991, l'Office a dû pour la première fois tenir des élections aux postes de membre. Cette responsabilité incombait auparavant à la Commission de commercialisation des produits agricoles de l'Ontario.

Au cours de l'exercice, l'OMMB s'est réuni tous les mois, ce qui représente un total de 33 jours. Les membres ont aussi passé beaucoup de temps à assister aux réunions de divers comités et à garder contact avec les comités laitiers régionaux, les producteurs et les organismes de l'industrie.

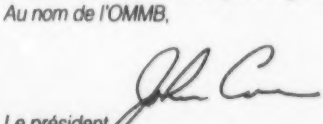
L'OMMB comptait 115 employés permanents à la fin de l'exercice; de ce nombre, 86 travaillent au siège social, y compris 4 membres du bureau régional de mise en marché.

Au nom des producteurs de lait, l'OMMB désire remercier sincèrement tous les membres de son personnel pour les efforts qu'ils ont dépensés dans leur soutien aux producteurs.

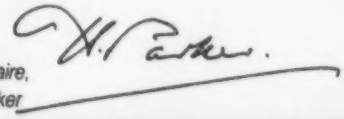
L'OMMB tient aussi à exprimer sa reconnaissance aux membres des comités laitiers de comté et de district pour leur appui précieux.

En terminant, l'OMMB offre ses remerciements à tous les secteurs de l'industrie laitière, y compris les services gouvernementaux et universitaires, pour l'aide et les conseils qu'ils lui ont prodigués si généreusement.

Au nom de l'OMMB,



Le président,
John Core



Le secrétaire,
Harry Parker

# Balance Sheet

**October 31, 1991,**
**with comparative figures for 1990**

**The Ontario Milk Marketing Board**

| Assets | 1991 | 1990 |
|---|---|---|
| **Current assets** | | |
| Cash and short-term investments | $ 15,708,655 | $ 16,674,011 |
| Accounts and bills receivable | 105,261,537 | 100,349,791 |
| Quota inventory (note 1) | 275,236 | 297,773 |
| Prepaid expenses | 682,645 | 420,458 |
| | **121,928,073** | **117,742,033** |
| **Other assets** | | |
| Bonds and investment certificates, at cost (market value $378,998; 1990, $340,515) | 361,375 | 361,375 |
| Shares of producer co-operatives, at cost or less | 131 | 131 |
| Deferred pension costs (Note 13) | 527,000 | 297,000 |
| | **888,506** | **658,506** |
| **Fixed assets** (note 2) | | |
| Land | 506,203 | 508,370 |
| Buildings | 1,975,848 | 2,521,117 |
| Warehouse equipment | — | 368,031 |
| Office furniture and fixtures | 1,105,372 | 1,127,339 |
| Computer equipment | 712,616 | 1,745,912 |
| Automobiles and truck | 310,158 | 310,466 |
| | 4,610,197 | 6,581,235 |
| Less accumulated depreciation | 2,253,545 | 3,619,916 |
| | **2,356,652** | **2,961,319** |
| | **$125,173,231** | **$121,361,858** |

Approved by the Board

Chairman Vice-Chairman

# Auditors' Report

**To the Members of The Ontario Milk Marketing Board**

We have audited the balance sheet of The Ontario Milk Marketing Board as at October 31, 1991 and the statements of market expansion funds, quota exchange funds, dairy science research chair fund, income and retained income, details of grants and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at October 31, 1991 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Toronto, Canada
December 13, 1991

**Peat Marwick Thorne**
*Chartered Accountants*

| Liabilities, Funds and Surplus | 1991 | 1990 |
|---|---|---|
| **Current liabilities** | | |
| Accounts payable and accrued liabilities (note 3) | **$117,863,137** | **$114,655,452** |
| **Funds** | | |
| Market expansion | 442,547 | 303,127 |
| Quota exchange | 625,447 | 534,386 |
| Dairy Science Research Chair | 160,839 | 248,471 |
| Wm. A. Stewart Fellowship (note 4) | 47,870 | 46,936 |
| | **1,276,703** | **1,132,920** |
| **Surplus** | | |
| Contributed surplus | 1,390,126 | 1,390,126 |
| Retained income | 4,643,265 | 4,183,360 |
| | **6,033,391** | **5,573,486** |
| | **$125,173,231** | **$121,361,858** |

**Notes**

1. Group 1 Pool quota and market-sharing quota inventory represents the quota remaining in the Board's bank as a result of balancing exchange activities that commenced March 7, 1980, valued at the October 1991 purchase prices. .

2. Fixed assets are carried at cost and depreciation is provided on a straight line basis using rates that will charge operations with the cost of these assets over their estimated useful lives as set out below. When fixed assets are sold, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss is reflected in the statement of income and retained income. Disposals in the year included the Belleville warehouse property; comprising of land $2,167, buildings $545,269. warehouse equipment $369,131 and office equipment $48,011; together with head office computer equipment of $1,239,699 and office equipment and automobiles of $105,016, that gave rise to an aggregate gain of $550,907, of which $542,672 relates to the Belleville property. Expenditures for repairs and maintenance are charged to income as incurred.

| | |
|---|---|
| Building | 20 years |
| Office furniture and fixtures | 10 years |
| Computer equipment | 3-5 years |
| Automobiles and truck | 3 1/3 years |

3. Accounts payable and accrued liabilities include an amount of $12,977,681 (1990, $13,217,411) being the unremitted portion of the market-sharing quota levies collected, net of refunds received, under an agreement with the Canadian Dairy Commission and an amount of $2,372,122 (1990, $1,242,719)recoverable from producers in respect of pool operations.

4. The Wm. A. Stewart Fellowship Fund was increased in the year by interest earned of $4,934 (1990, $4,871) less a fellowship payment in the year of $4,000 (1990, $4,000).

# Statement of Market Expansion Funds

**Year ended October 31, 1991,**
**with comparative figures for 1990**

**The Ontario Milk Marketing Board**

| | **1991** | 1990 |
|---|---|---|
| **Fees collected** on milk (note 5) | **$17,841,316** | **$17,526,993** |
| **Disbursements during the year** | | |
| Fluid milk advertising, promotion, media, production and research | | |
| Advertising and promotion | 8,479,405 | 7,974,264 |
| Research | 450,771 | 428,546 |
| Nutrition communications | 380,858 | 375,937 |
| Other activities | 43,160 | 67,882 |
| | 9,354,194 | 8,846,629 |
| Administrative | 611,164 | 555,303 |
| | 9,965,358 | 9,401,932 |
| Dairy Bureau of Canada (note 6) | 7,736,538 | 7,837,344 |
| | **17,701,896** | **17,239,276** |
| **Increase for the year** | **139,420** | **287,717** |
| Accumulated funds, beginning of year reserved for market expansion activities | 303,127 | 15,410 |
| **Balance, end of year** | **$ 442,547** | **$ 303,127** |

**Notes** (continued)
5. Collections for all market expansion activities were increased effective February 1, 1991 from 75.5 to 76.0 cents per hectolitre in respect of all milk shipments to the Board.
6. Disbursements to the Dairy Bureau of Canada for national market expansion activities remain unchanged at 62.0 cents per hectolitre of market-sharing quota shipments by all producers.

# Statement of Details of Grants

**Year ended October 31, 1991,**
**with comparative figures for 1990**

| | **1991** | 1990 |
|---|---|---|
| Dairy Farmers of Canada | $316,163 | $338,992 |
| Fund for Milk and Cream Producers | 29,039 | 33,179 |
| Ontario Farm Animal Council | 20,000 | 20,000 |
| Ontario Agri-Foods Education (Agriculture in the Classroom) | 5,000 | — |
| DFC for National Laboratory Accreditation Program | 6,880 | — |
| **Grants during year** | **$377,082** | **$392,171** |

# Statement of Quota Exchange Funds

**(Note 7)**

**Year ended October 31, 1991,**
**with comparative figures for 1990**
**The Ontario Milk Marketing Board**

| | Group I Pool Quota | | Market-Sharing Quota | | | | | | All quota | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Unused | | Used | | Total | | | |
| | **1991** | 1990 | **1991** | 1990 | **1991** | 1990 | **1991** | 1990 | **1991** | 1990 |
| **Sales** | **$29,962,257** | **$28,609,846** | **$24,179,270** | **$21,619,525** | **$8,244,308** | **$6,522,188** | **$32,423,578** | **$28,141,713** | **$62,385,835** | **$56,751,559** |
| **Cost of sales** | | | | | | | | | | |
| Opening inventory (shortfall) | 470,448 | 781,500 | (184,425) | 457,733 | 11,750 | 20,985 | (172,675) | 478,718 | 297,773 | 1,260,218 |
| Purchases | 29,519,005 | 28,298,575 | 24,266,154 | 20,878,085 | 8,487,078 | 6,518,221 | 32,753,232 | 27,396,306 | 62,272,237 | 55,694,881 |
| | 29,989,453 | 29,080,075 | 24,081,729 | 21,335,818 | 8,498,828 | 6,539,206 | 32,580,557 | 27,875,024 | 62,570,010 | 56,955,099 |
| Closing inventory (shortfall) | 57,768 | 470,448 | 227,202 | (184,425) | (9,734) | 11,750 | 217,468 | (172,675) | 275,236 | 297,773 |
| | **29,931,685** | **28,609,627** | **23,854,527** | **21,520,243** | **8,508,562** | **6,527,456** | **32,363,089** | **28,047,699** | **62,294,774** | **56,657,326** |
| Changes in the year | 30,572 | 219 | 324,743 | 99,282 | (264,254) | (5,268) | 60,489 | 94,014 | 91,061 | 94,233 |
| Balance, beginning of year | 29,238 | 29,019 | 344,799 | 245,517 | 160,349 | 165,617 | 505,148 | 411,134 | 534,386 | 440,153 |
| **Balance (deficit), end of year** | **$ 59,810** | **$ 29,238** | **$ 669,542** | **$ 344,799** | **$ (103,905)** | **$ 160,349** | **$ 565,637** | **$ 505,148** | **$ 625,447** | **$ 534,386** |

**Notes** (continued)

7. The statement of quota exchange funds reflects the dollar values of transactions effected on the quota exchanges held in the year.

# Statement of Dairy Science Research Chair Fund

**(Note 8)**

**Year ended October 31, 1991,**
**with comparative figures for 1990**

| | **1991** | 1990 |
|---|---|---|
| **Income** | | |
| Fees collected on milk | $ — | $ 27,820 |
| Interest | 20,701 | 29,707 |
| | **20,701** | **57,527** |
| Disbursements | 108,333 | 17,500 |
| Increase (decrease) in the year | (87,632) | 40,027 |
| Balance, beginning of year | 248,471 | 208,444 |
| **Balance, end of year** | **$160,839** | **$248,471** |

**Notes** (continued)

8. Under the terms of an agreement with the University of Guelph, the Board has agreed to fund a chair in dairy microbiology for a ten-year period.
Monthly payments commenced September 1, 1990 and totalled $105,000 in the first year and will total $125,000 in each of the next nine years.
Fee collections to fund this commitment commenced February 1, 1988 at one-half cent per hectolitre on all milk shipments to the Board. The collections were suspended on February 1, 1990 for a two-year period.

# Statement of Income and Retained Income

**Year ended October 31, 1991,**
**with comparative figures for 1990**

**The Ontario Milk Marketing Board**

| | 1991 | 1990 |
|---|---|---|
| **Income** | | |
| Licence fees (note 9) | $ 7,063,186 | $ 6,266,093 |
| Less portion applicable to Milk Producer Magazine subscriptions | 96,340 | 105,074 |
| | 6,966,846 | 6,161,019 |
| Cheese exchange service charge | 28,739 | 27,680 |
| Cheese warehousing, net income (loss) before depreciation | (44,502) | 95,458 |
| Milk Producer Magazine, net income before depreciation | 37,161 | 64,411 |
| Interest, net (note 10) | 2,401,253 | 3,219,601 |
| Milk quality payments, net | 717,044 | 925,397 |
| Udder health management | 68,461 | 103,180 |
| Ontario Dairy Herd Improvement Corporation levies | 705,336 | 708,551 |
| Assignment administrative fee | 47,375 | 46,979 |
| Quota exchange administrative fee | 32,184 | 35,106 |
| Gain on disposal of fixed assets (note 2) | 550,907 | 13,661 |
| | **11,510,804** | **11,401,043** |
| **Expenses** | | |
| Administrative (note 11) | 6,628,168 | 7,293,278 |
| Policy development (note 12) | 967,312 | 912,444 |
| County and District Milk Committees | 677,119 | 660,247 |
| Grants | 377,082 | 392,171 |
| Milk tests, central laboratory | 611,179 | 613,912 |
| Udder health management | 159,139 | 162,995 |
| Ontario Dairy Herd Improvement Corporation levies | 705,336 | 708,551 |
| Ontario Dairy Farm Accounting Project, net | 77,152 | 87,177 |
| Research | 172,921 | 204,042 |
| Annual meeting | 74,071 | 76,720 |
| Other meetings | 3,436 | 12,956 |
| Depreciation | 597,984 | 537,455 |
| | **11,050,899** | **11,661,948** |
| Excess of income over expenses (expenses over income) | 459,905 | (260,905) |
| Retained income, beginning of year | 4,183,360 | 4,444,265 |
| **Retained income, end of year** | **$ 4,643,265** | **$ 4,183,360** |

**Notes** (continued)

9. Licence fees for administrative purposes were increased effective February 1, 1991 from 27.0 to 31.0 cents per hectolitre in respect of all milk shipments to the Board.

10. It is the policy of the Board to maximize the return on funds retained by investing in deposit receipts and similar interest earning arrangements.

11. Administrative expenses do not include $708,039 (1990, $645,949) allocated to Market Expansion Fund and Milk Producer Magazine operations.

12. Policy development expenses include remuneration and operating expenses of Chairman, Board Members and Secretariat and cost of annual report.

# Statement of Changes in Financial Position

**Year ended October 31, 1991,**
**with comparative figures for 1990**

**The Ontario Milk Marketing Board**

| **Cash provided by (used in)** | **1991** | 1990 |
|---|---|---|
| **Operating activities** | | |
| Excess of income over expenses (expenses over income) | $ 459,905 | $ (260,905) |
| Adjustments for items not requiring cash | | |
| Depreciation | 597,984 | 537,455 |
| Gain on disposal of fixed assets | (550,907) | (13,661) |
| | 506,982 | 262,889 |
| Changes in non-cash working capital components | | |
| Accounts and bills receivable | (4,911,746) | (6,001,423) |
| Accounts payable and accrued liabilities | 3,207,685 | 4,636,778 |
| Deferred pension costs | (230,000) | (297,000) |
| Prepaid expenses | (262,187) | 38,014 |
| Quota inventory | 22,537 | 962,445 |
| | **(1,666,729)** | **(398,297)** |
| **Investment activities** | | |
| Purchase of fixed assets | (338,345) | (417,137) |
| Proceeds on disposal of fixed assets | 895,935 | 64,205 |
| | **557,590** | **(352,932)** |
| **Fund activities** | | |
| Market expansion | 139,420 | 287,717 |
| Quota exchange | 91,061 | 94,233 |
| Dairy Science Research Chair | (87,632) | 40,027 |
| Wm. A. Stewart Fellowship | 934 | 871 |
| | **143,783** | **422,848** |
| **Decrease during the year** | **(965,356)** | **(328,381)** |
| Cash and short-term investments, beginning of year | 16,674,011 | 17,002,392 |
| **Cash and short-term investments, end of year** | **$15,708,655** | **$16,674,011** |

**Notes** (continued)

13. The Board maintains a defined benefit pension plan for substantially all of its employees which provides benefits based on length of service and remuneration.

The most recent actuarial valuation of the plan was as at December 31, 1990. As at December 31, 1990 the accrued benefit obligation was $4,477,000 and the market value of assets aggregated $4,304,000.

Pension expense includes the cost of pension benefits accrued for employees' services for the year and the past service costs, plan improvements, experience gains and losses and the net pension asset or liability amortized on a straight-line basis over the expected average remaining service life of the plan participants. The assets of the pension plan are stated at current market values.

# Pool Operations

**Year ended October 31, 1991,**
**with comparative figures for 1990**

**The Ontario Milk Marketing Board**

| | 1991 | 1990 |
|---|---|---|
| **Milk quantities ( litres)** | **2,351,258,074** | **2,361,989,735** |
| **Milk value** | | |
| Sales | $1,221,940,444 | $1,186,362,302 |
| Purchases | 1,221,927,752 | 1,186,144,245 |
| | 12,692 | 218,057 |
| Payable to (recoverable from ) producers, beginning of year | 15,995 | (202,062) |
| **Payable to producers, end of year** | **28,687** | **15,995** |
| **Transportation** | | |
| Recovered from producers | 53,795,596 | 48,972,899 |
| Expense | 54,937,691 | 51,523,590 |
| | (1,142,095) | (2,550,691) |
| Payable to (recoverable from) producers, beginning of year | (1,258,714) | 1,291,977 |
| **Recoverable from producers, end of year** | **(2,400,809)** | **(1,258,714)** |
| **Total recoverable from producers, end of year (note 3)** | **$ (2,372,122)** | **$ (1,242,719)** |

# Market-sharing Quota Levies

**Year ended October 31, 1991,**
**With comparative figures for 1990**

| | 1991 | 1990 |
|---|---|---|
| Unremitted, beginning of year | $13,217,411 | $12,315,029 |
| Refund from Canadian Dairy Commission | — | 3,347,976 |
| **Net collections from producers** | | |
| Within-quota | 34,887,702 | 31,440,127 |
| Over-quota | 18,020,946 | 5,716,911 |
| Skim-off | 5,535,031 | 1,049,064 |
| | **71,661,090** | **53,869,107** |
| Net disbursements to Canadian Dairy Commission | 58,683,409 | 40,651,696 |
| **Unremitted, end of year (note 3)** | **$12,977,681** | **$13,217,411** |

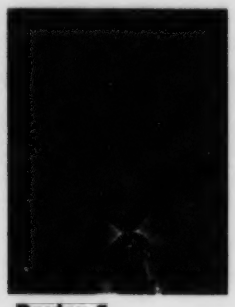
In respect of the federal Dairy Year ended July 31, 1991, the Board has collected $35,774,037 (1990, $29,051,414) within-quota levies and $20,881,669 (1990, $16,434,851) over-quota levies from producers and has refunded to producers $2,837,986 (1990, $10,735,469) in over-quota levies less within-quota levies of $258,008 (1990, $840,896) resulting from such refunds.
Since 1977, the skim-off levy assessed on fluid milk shipments had been collected by the CDC as a holdback from the monthly direct payment. Commencing August 1, 1990, this levy is being collected by the Board and remitted monthly to the CDC.

**Region 1**
*Gaston Levac*

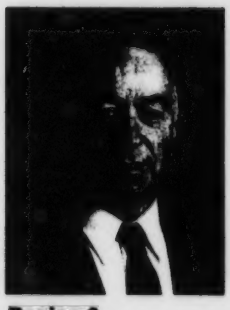
**Region 2**
*Paul Henderson*

**Region 3**
*Fred Healey*

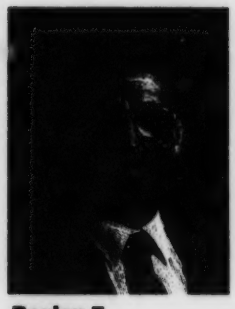
**Region 4**
*Gordon Donnan*



**Region 5**
*Jim Tunney*



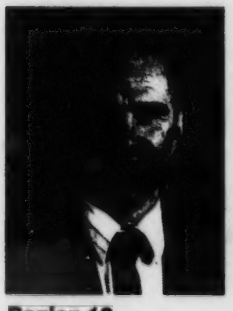
**Region 6**
*Gordon Coukell*



**Region 7**
*Peter Oosterhoff, Vice-Chairman*

**Region 8**
*Grant Smith*

**Region 9**
*John Core, Chairman*



**Region 10**
*Bruce Whale*

**Region 11**
*Bruce Saunders*

**Region 12**
*Claude Chartrand*

**Ontario Cream Producers' Marketing Board**, *Elgin Cole*

**Secretary to the Board**
*Harry Parker*

## Year joined Board

| | |
|---|---|
| Gaston Levac | 1989 |
| Paul Henderson | 1986 |
| Fred Healey | 1991 |
| Gordon Donnan | 1988 |
| Jim Tunney | 1981 |
| Gordon Coukell | 1986 |
| Peter Oosterhoff | 1975 |
| Grant Smith | 1968 |
| John Core | 1981 |
| Bruce Whale | 1986 |
| Bruce Saunders | 1987 |
| Claude Chartrand | 1984 |
| Elgin Cole | 1989 |

# THE ONTARIO MILK MARKETING BOARD'S STRATEGIC PLAN

*Over the course of the past several months, the Board devoted considerable time, attention and resources to the development of its Strategic Plan for the early 90s. After consulting with industry stakeholders following the initial drafting of the Plan, it was finalized by the Board in 1991. As year-end approached, an action plan was being developed to implement the strategic directions identified in the Plan.*

*The Strategic Plan as approved by the Board in 1991 is outlined here. The Board wishes to express its appreciation to all of those people and organizations who offered constructive input into the development of this Plan. It will serve to direct the focus of the Board's work over the next couple of years as the many challenges and issues facing the industry are confronted.*

## Mission

**Provide leadership and excellence as a dairy producer organization in the production, transportation and marketing of milk in service to the milk producers, processors and consumers of Ontario.**

### Operating Principles

In order to fulfill the mission, the Board is deeply committed to the following fundamental principles:

- a national supply management system for the orderly marketing of milk;
- responsible use of the powers delegated to it under the Milk Act of Ontario, including the authority for raw milk pricing;
- the production and marketing of high quality raw milk and processed dairy products;
- fair and equitable application of policies;
- open communication and consultation;
- efficient, cost-effective marketing and administrative operations;
- a highly motivated staff possessing a wide range of essential skills.

## Key Issues

### Supply Management

**I. Strategic Direction:**

Actively support the basic principles of supply management, (production control, border control, and pricing authority) while exploring ways of making the present system more flexible in light of changes in trade agreements, changing markets and consumer trends, and other developments.

**II. Strategic Objectives:**

(1) Maintain a strong, well co-ordinated lobby effort, in concert with Dairy Farmers of Canada and other organizations where appropriate, to ensure that the national and provincial legislation for milk marketing remains supportive of the needs of the industry.
(2) Provide leadership, both provincially and nationally, in addressing what second generation supply management entails.
(3) Develop policies to deal with the impact of current and future trade agreements (eg. CUSTA and GATT).

### Market Expansion

**I. Strategic Direction:**

Examine the market for fluid milk, dairy products and ingredients, identify opportunities for further expansion and growth, and take action necessary to develop these opportunities.

**II. Strategic Objectives:**

(1) Explore the feasibility of creating new opportunities for placing milk and dairy products in the consumer marketplace.
(2) Encourage a new dairy product information centre to foster joint producer/processor efforts toward new product development and marketing.
(3) Determine if a substantial increase in the advertising and promotion budget would have a beneficial effect on milk sales.
(4) Work jointly with the Dairy Bureau of Canada to further expand the market for consumer dairy products and ingredients.
(5) Examine with other provinces the feasibility of more co-operation in developing fluid milk advertising and promotion programs.
(6) Explore with the provincial government and processors greater opportunities for including milk and dairy products in school meal programs.
(7) Explore new opportunities to target nutrition education program efforts to further strengthen milk's important role in a healthful diet.

### Pricing

**I. Strategic Direction:**

Ensure that the overall pricing systems for raw milk provide the opportunity for efficient producers to obtain adequate returns while recognizing the conditions of the consumer market place.

**II. Strategic Objectives:**

(1) Re-examine current pricing methods to ensure they meet the strategic direction outlined above.
(2) Examine alternative systems which would permit greater flexibility and equity in addressing skim-off, seasonality, and classified pricing issues.
(3) Review the minimum and maximum production limits to assess the extent to which they impact on the strategic pricing direction.

### Market Responsiveness

**I. Strategic Direction:**

Implement policies and programs to respond to the changing needs of the marketplace.

**II. Strategic Objectives:**

(1) Implement a multiple component pricing system for milk in Ontario.
(2) Make the allocation system of milk supply to processing plants more market responsive.
(3) Implement programs to improve the traditional seasonal imbalance between supply and demand for milk during the fall months of the year.
(4) Address the request of processors to purchase milk at the plants based on plant metering and sampling.
(5) Investigate the benefits of having protein standards for fluid milk products.
(6) Explore opportunities for new uses of various components of milk.

### Communications

**I. Strategic Direction:**

Enhance public understanding of the Board and its marketing system and improve industry relations through greater emphasis on effective communication strategies.

**II. Strategic Objectives:**

(1) Further develop a well-planned, co-ordinated communication strategy for use in both internal and external communications.
(2) Formulate new communications programs tailored to specific publics.
(3) Promote a good working relationship with the processing sector of the industry.

### Environment, Food Safety and Animal Welfare

**I. Strategic Direction:**

Provide leadership and resources to deal with matters pertaining to the environment, food safety and animal welfare in an effective and responsible manner.

**II. Strategic Objectives:**

(1) Identify the important dairy issues related to the environment, food safety and animal welfare and develop programs and policies to address them.
(2) Support the work of the Ontario Farm Animal Council in pursuit of its mandate.
(3) Encourage the dairy industry to continue to act in an environmentally responsible manner.

### New Technology

**I. Strategic Direction:**

Advance the benefits and importance of new production and information technologies in meeting the future needs of the industry.

**II. Strategic Objectives:**

(1) Maintain a strong commitment to research and development needs related to both the production and marketing of milk and milk products.
(2) Play a role, in conjunction with industry stakeholders, in providing information to the industry about new technologies as they become available.
(3) Conduct an information needs analysis within the Board's organization including the costs and benefits of adopting new information technologies which are available.
(4) Explore cost-effective ways the Board could become involved in providing assistance to producers in the use of new information technologies.

### Human Resources

**I. Strategic Direction:**

Create a work environment which enhances the proficiency of the Board and its staff, facilitates team effort, and encourages fulfillment of the Board's mission.

**II. Strategic Objectives:**

(1) Strengthen human resource training and development policies to ensure the necessary knowledge and skills are available.
(2) Improve internal communications on all matters related to personnel, Board policy and the general industry trends and happenings.
(3) Pursue initiatives which will encourage motivation toward the Board's mission.
(4) Participate with other dairy producer organizations in industry initiatives to ensure the provision of services to Ontario dairy producers is carried out in the most efficient, cost-effective manner.

### Transportation

**I. Strategic Direction:**

Ensure that the milk transportation system is efficient, reliable, and cost-effective.

**II. Strategic Objectives:**

(1) Review and revise the transport rate formula.
(2) Continue to utilize computer assisted routing methods to help improve efficiencies in the pickup and delivery of milk.
(3) Continue to rationalize transport routes whenever deemed to be cost-effective.
(4) Examine, test, and implement new procedures or methods which could lead to more efficient use of the transportation equipment.
(5) Examine the current methods and alternatives of assessing transportation charges to producers.

## MARKET EXPANSION PROGRAMS

### Fluid milk

#### Sales

Fluid milk sales have been remarkably buoyant during the year considering the major market barriers. These barriers to milk sales are primarily recessionary market conditions, price increases at the retail level and cross-border shopping. In the face of these issues, fluid milk sales increased by 0.78 per cent. This increase is based on the rapidly growing 1% milk market and that of skim milk. All other categories of fluid milk, including 2%, are in decline.

#### Beverage Advertising

The Product Promotion Division of the Board continued with its programs for selected target groups and expanded the "Milk. Energy, plus 15 Essential Nutrients" creative to the teen target group. The theme now encompasses the Adult, Young Adult and Teen groups. The effectiveness of this campaign, combined with the other product promotion efforts undertaken, have made a major contribution to fluid milk sales in a very depressed marketplace.

The advertising and its extensions appeared on television, radio, in magazines, on backlit billboard sites and in transit systems across the province. Despite the continuing difficulty of meeting inflationary pressures from advertising media and production companies, the Board's advertising achieved very good levels of exposure in the consumer marketplace.

The Preteen target group advertising continued unchanged from the previous year. However, a full review of the advertising for Preteens was undertaken and work commenced on developing new advertising for this important group of young milk consumers. The new advertising for preteens will commence early in the new year.

#### Sales Promotion

The use of sales promotion opportunities, in order to add an important dimension to your Product Promotion Division's work, continues to be a major investment. This was particularly so with the School Milk Programs, which reached over 800 elementary schools and over 300 high schools.

In addition, but at a lower level of involvement, the "Choc on the Rocks" and "Cup and Decal" restaurant programs also continued. These were at a maintenance level, pending an end-of-year review of the strategy and future direction of product promotion activities for milk in schools, restaurants and institutional and cafeteria type operations.

Another area of promotion that was repeated and will also be under review is the Milk International Children's Festival. Now well established, it draws a live audience of over 75,000 made up of families and students from all over the province. The main source of the live audience, however, is the Hamilton-to-Oshawa marketing area. In addition to these visitors to the Festival, the free media publicity generated by the event was estimated at $375,000. As well, over 1.5 million Sealtest milk

cartons featured the Milk Festival and it was also printed on over one million Mac's convenience store shopping bags.

As part of the sales promotion efforts and as an extension of the adult "Milk Energy" program, all the fluid milk processors were contacted to encourage them to feature the advertising message on their packaging.

**Ingredient Advertising**

This important opportunity to encourage the use of milk in cooking was a direct continuation of the series of successful magazine advertisements reported last year. In addition, a joint venture with Maxwell House featured a summer iced coffee with milk project called "Cool Max". As well, "Food News" was added to the schedule of magazines used to promote cooking with milk. "Food News" has a circulation of 1.9 million through 263 stores (Food City, IGA and Food Town) in Ontario.

The 1991 Milk Calendar was again successfully distributed through a 1.9 million daily newspaper circulation of which 1.4 million calendars were in use, representing 42 per cent of all Ontario households. This important advertising vehicle continues to be very popular throughout Ontario.

**Nutrition Communications**

Much of the Department's energies this past year were involved in the training and adjustment of the four new replacement Nutrition Educators. Nevertheless, many of the program

priorities and plans outlined in the 1990-91 Annual Plan have been completed. Included in their program were approximately 220 Workshops reaching well over 5,000 teachers and health professionals.

Your Board's nutritionists continued to pursue their function of promoting fluid milk (and milk products) to Ontario residents through nutrition education and to enhance the corporate image

For best results, serve in extreme heat.
It's hot. It's sweltering. And you need a serious thirst quencher.
Introducing a great new taste sensation from Milk – Cool Max! A cold, refreshing summer drink that blends the smooth flavour of Maxwell House coffee with all the goodness of Milk.
And making it is no sweat.
To make up a cool pitcher, just dissolve 1/3 cup Maxwell House regular or decaffeinated instant Coffee with an equal amount of hot water and 1/4 cup of sugar (or low calorie sweetener to taste). Stir in 1 litre of cold fresh Milk and add ice. Serves 6.
For a rich mocha flavour, try making your Cool Max with chocolate Milk and adjust sugar to taste.
Then sit back, and put your summer on ice.
Milk makes good food better.

of the OMMB as a leader in reliable nutrition education. As part of this role, the nutritionists continued to network with influential health professional groups, to bring a balanced view to the deliberations of these organizations on current dietary concerns, including the concerns about the amount of fat consumed in the diet of Canadians.

Among the organizations contacted were the Ontario Dietetic Association, the Canadian Dietetic Association, Heart for Health and many other organizations involved in dietary issues. Also, an important cooperative link was continued with nutritionists in the other provinces. As well, your nutritionists made contributions to the commentary from the dairy industry to government on the new Canada Food Guide, due to be published in 1992.

## Industrial Milk Products

### Dairy Bureau of Canada Programs

As predicted, 1991 was a turbulent year for the industrial milk sector of the dairy industry. The butterfat issues were in full focus partially because of the continued drop in domestic requirements for industrial milk production. The impact of skim-off on MSQ levels was thoroughly debated and the equity issues have resulted in major changes in the assignment of responsibility for marketing costs and quota adjustments related to fluid milk skim-off.

Adding on to our normal problems was an upsurge in cross-border shopping that has cost the industry significant losses in both butter and cheese in this most recent year.

The Bureau has continued its efforts to have revisions made in the Federal government nutrition recommendations. We are happy to report that, together with DFC and NDC, we have been successful in attaining a significant change in the wording of the dairy recommendation such that the expected negative impact on dairy sales will be much smaller than with the originally proposed wording.

DFC, together with NDC and the Bureau, are supporting the Canadian Paediatrics Society recommendations for some further changes in the guidelines that will be more reflective of the true needs of children with respect to milk consumption.

### Butter

The total butter market in 1991 achieved some stability with sales down 0.3 per cent for the January-to-August period. Retail butter purchases are down 3.9 per cent and purchases from Canadian sources are down 7.5 per cent. The difference represents cross-border shopping.

Late in 1991 it was decided to develop new creative for butter. Concepts were tested in early December and the expected air date is mid-February 1992.

A national butter program was run once again in the fall of 1990. A major effort was put forth in Ontario for the 1990 Butter Promotion. Over 3,000 individual grocery stores were visited and promotional material installed. An estimated 500,000 entries were received for the Grand Prize draw (5 GMC Trackers). It was estimated that sales of butter nationally were 2,2 million pounds higher than they would have been without the promotion with the majority of the increase coming from Ontario.

In order to assess the possible impact of price on butter sales, a test of the Catalina Coupon system was undertaken in 1991. Catalina is a point-of-purchase system which utilizes a computer and laser printer to generate a coupon at the check-out counter of grocery stores. The test was judged to have been successful. Butter sales increases ranged from 16 per cent to 25 per cent depending on the incentive.

**Cheese**

The retail cheese market for 1991 is showing slight growth to the end of October being up 2.2 per cent. Here again, we see the influence of cross-border shopping in that 5.7 million pounds is reported to have been purchased in the USA. If these purchases were sourced in Canada, sales would be up 4.8 per cent instead of 2.2 per cent.

**Consumer Communication Program**

In the past year, the Bureau has continued most of its cheese activities, including: consumer communications, in-store and retail trade activity, foodservice industry programs and work with fairs and exhibits.

Our communication program, primarily using television, has demonstrated itself to be very successful in reaching consumers. Our market research indicates that the principle perceived messages continue to be "cheese is nutritious", and "cheese improves the taste of other foods" and "people should eat/buy cheese more often". The awareness of the Jimmy and Katie and "Cheese Please" commercials has reached normal levels.

As with our butter campaign, we have decided to develop new creative for 1992.

The Great Canadian Cheese Festival is Canada's longest running retail food promotion. It is managed by the National Dairy Council. In 1991, the Bureau has invested $100,000 in a retail merchandising program which will leverage the 'cow logo' and reinforce two key benefits of cheese – calcium and protein. This is a very important retail program, but to prosper in the future a greater commitment will be needed from the processors.

**Foodservice**

The major elements of the Bureau program remain intact. The Eighth Annual Foodservice Awards were held in Ottawa. Recipe cards (12 recipes per year) continue to be received by 23,000 foodservice workers. A research program was undertaken to study the effectiveness of the recipe card program. Results indicated an overwhelming positive response. The research findings will also help in designing future recipes for the most effective usage.

The marketing program in which the Bureau joins with major restaurant chains in merchandising new cheese features also continued. Of major significance in 1991 was the joint promotion with Pizza Hut. For the first time, the cow logo appeared on all television advertising by Pizza Hut. A new development in 1991 was the introduction of a university level program on cheese and its applications in cuisine. This program consisted of 45 - 60 hours of instruction and is intended to be a credit course.

What distinguishes the program is the in-depth study of the microbiology of each cheese type and how these factors relate to successful cuisine. Educators from all provinces and the Department of National Defense have been involved. Many of these people were originally brought together by the Foodservice Awards programs.

**All Products**

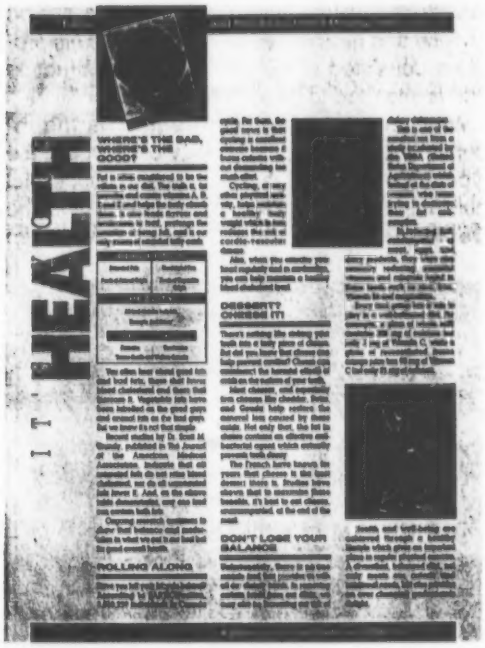
The Bureau operates a number of programs that support dairy products in general or all dairy products, such as Scientific Research, Nutrition Communications, Product Analysis, Fairs and Exhibitions and the Dairy Case Training Program.

**Scientific Research**

The nature of scientific research is such that it takes a long period of time to attain results and even longer to get the information disseminated. We are, therefore, still focusing on results of projects initiated in the late 1980s such as the relationship between calcium and blood pressure (hypertension).

Dr. Pavel Hamet's research on calcium and hypertension was reported in the press early in 1991 under the heading "2 Glasses of Milk a Day Keep High Blood Pressure Away". This is one example where research information managed to reach the popular press.

We have continued to emphasize Canadian




research in all our project areas, including the following:

(1) Research related to cardiovascular disease; (2) special properties of milk and milk products; (3) dairy product contribution to healthy growth; and (4) fundamental nutrition matters such as bio-availability. There are 17 projects in process in 1991.

**Nutrition Activities**

Activities in this area have expanded dramatically in 1991. The area of nutrition guidelines, nutrition labelling, nutrition misinformation, nutrition-related consumer queries and nutrition advertising were all very demanding in 1991.

The nutrition guidelines, as originally proposed and announced, recommended using only low-fat dairy products. This was estimated to have the potential of eliminating 8-10 per cent of the market for dairy products if consumers were to follow the advice and, through research, we determined many would. Extra effort had to be made to get changes and was successful. The new line is "Choose lower fat dairy products more often."

While activities such as the publishing and distribution of the Nutrition Quarterly continues with a mailing to about 23,000 professionals, the single biggest increase in work load has come from the expansion of our communications directly with consumers. After months of strategic planning and program development, a new campaign was launched in Quebec early in 1991 and in Ontario and the rest of Canada in the fall of this year.

The objective of the program is to increase consumer awareness and understanding of dairy products' positive contribution to diet and health and to present scientifically proven facts relating to diet and health. The basic idea is to challenge the mistruths about dairy products in such a way that consumers will accept dairy products as being part of a healthy diet.

**Fairs and Exhibits**

Western Canada was the focus for presentation in 1991. The Calgary Stampede and Pacific National Exhibition are among the major shows attended. The program is currently being managed by provincial promotion groups in each of the provinces.

**Dairy Case Training**

This program continued to be in strong demand in the past year. The program was updated and freshened up in the visual area (slides). Companies participating in the past year include Kraft Foods, IGA, Zehrs, Knob Hill Farms, Mac's Milk, Price Club, Knechtel Foods, Dairy Producers Co-op and Farmers Co-op.

One unique task involving the seminar was the presentation to Commisso Food Terminals in St. Catherines where the focus of attention was on attracting Ontario customers who cross-border shop for dairy products. Management of these seven outlets were very keen on implementing the program in all their stores because they firmly believe that proper organization and management of the dairy case is one of the crucial elements in keeping customers.

FREEDOM. NATURE'S OWN BALANCING ACT.

We demand so much from life. Growth. Independance. Freedom. Yet life's own prescription for a healthy lifestyle is simple. Exercise. Live a varied life. Eat a varied diet. After all, you are what you eat.

And you eat a balanced diet for a balanced life. That includes dairy products – nature's own eminently balanced foods. Dairy products. For a sense of balance and a sensible diet.

Dairy Bureau of Canada

DAIRY PRODUCTS. BALANCED BY NATURE.

## HEAD OFFICE SENIOR STAFF

*Ken Smith*
General Manager

*Bill MacPherson*
Director,
Finance Division

*Al Hick*
Director,
Marketing Division

*John Karn*
Director,
Production Division

*Michael E. Pearce*
Director, Product
Promotion Division

*Wes Lane*
Director,
Communications and
Planning Division

*Phil Cairns*
Senior Economist

*Lloyd Whiting*
Director, Information
Systems Division

## ONTARIO DAIRY PRINCESS 1990-91

Kelly Little, the 35th Ontario Dairy Princess, was from the Region of York. Kelly, the daughter of Barry and Aileen Little, won her title at the 1990 Canadian National Exhibition.

As a full-time employee of the Board for one year, Kelly travelled over 40,000 km on behalf of Ontario's milk and cream producers.

During her year, Kelly gave 318 school presentations and attended 193 special events, which included store promotions, fairs, parades, banquets, annual meetings and Dairy Princess competitions. Kelly was interviewed by 33 radio and television stations and received coverage in over 40 newspapers. She visited 42 counties and districts in Ontario, the World Dairy Expo in Madison, Wisconsin and was a guest of the Milk Marketing Board in England and Wales for two weeks.

Kelly's amiable personality and integrity made her many friends throughout the province.

Following her reign, Kelly returned to the University of Guelph for her third year in the Animal Science program.